Supreme Court, U.S.
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

JENNIFER DUMAS and JENNIFER DUMAS, INC.,

Petitioners,

vs.

PLAYBOY ENTERPRISES, INC. and
SPECIAL EDITIONS, LTD.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Under section 201(a) of the Copyright Act of 1976, copyright "vests initially in the author or authors of the work." "[A]s a general rule the author is the party who actually creates the work," but there is an "exception" for "works made for hire" where another person is legally deemed to be the "author." Community for Creative Non-Violence v. Reid, 490 U.S. 730, 737 (1989). One of the "two distinct ways in which a work can be deemed for hire," id. at 741, and a person other than the creator considered the "author" is where the work is "specially ordered or commissioned" and falls within one of the nine categories enumerated in the statute, "if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. § 101 def. of "work made for hire," subdiv. (2).

The questions presented here are:

1. Whether the "work made for hire" provisions set forth in sections 101 and 201(b) of the 1976 Copyright Act apply where the only "written instrument" is an endorsement legend stamped on the back of a payment check tendered by the hiring party to the creator after completion of the work and later endorsed by him (or his agent) in order to cash the check.

2. Whether the signing of the "written instrument" required by section 101 can come after creation of the work on the basis of an appellate fact finding that there was an "implicit" prior understanding for a work for hire relationship "inferred" from a course of conduct.

3. Whether the Court should exercise its supervisory power to reverse the court of appeals' finding that a hiring party and a creator had an "implicit" work for hire understanding where the district

court found that there was no evidence of such understanding and that the parties' intent was at best ambiguous and the court of appeals did not reject those findings as clearly erroneous.

PARTIES BELOW

All parties to the proceedings below are named in the caption. In addition, the following six organizations submitted briefs on the question here presented as amici curiae in the court of appeals: Magazine Publishers of America, Inc., in support of respondents herein, and American Society of Media Photographers, Graphic Artists Guild, Committee for Literary Property Studies, National Writers Union and Volunteer Lawyers for the Arts in support of petitioners.

STATEMENT PURSUANT TO RULE 29.1

Petitioner Jennifer Dumas, Inc. has no publicly-traded parent company or subsidiaries.

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In the
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JENNIFER DUMAS and JENNIFER DUMAS, INC.,

Petitioners,

—against—

PLAYBOY ENTERPRISES, INC.

and

SPECIAL EDITIONS, LTD.,

Respondents.

On Petition For A Writ Of Certiorari
To The United States Court of Appeals
For Second Circuit

PETITION FOR A WRIT OF CERTIORARI

Petitioners pray that a writ of certiorari issue to review the decision of the Court of Appeals for the Second Circuit entered in this case on May 5, 1995, as modified on rehearing by order dated June 29, 1995.

OPINIONS BELOW

The opinion and order of the district court is reported at 831 F. Supp. 295, *as amended*, 840 F. Supp. 256 (S.D.N.Y. 1993),

and is reproduced in Appendix A hereto ("App. A") at 39a-92a. The opinion of the court of appeals is reported at 53 F.3d 549 (2d Cir. 1995) and is reproduced in App. A at 1a-36a. The modification of the court of appeals' decision and order denying rehearing are reproduced in Appendices A and C at 37a-38a and 94a-95a.

JURISDICTION

This case arises under the Copyright Act of 1976, 17 U.S.C. § 101 et. seq. (the "1976 Copyright Act"). Federal jurisdiction is founded upon 28 U.S.C. §§ 1331 (general federal question jurisdiction), 1332 (diversity jurisdiction, the respondents being citizens of Delaware and Illinois and the petitioners of California and New York), and 1338(a) (jurisdiction over copyright and trademark actions).

On September 9, 1993, after a bench trial, the district court (Tenney, J.) entered judgment for petitioners. The

court of appeals affirmed in part, reversed in part, vacated in part and remanded in a decision rendered on May 5, 1995. Following a timely motion for rehearing by petitioners, the court of appeals modified its decision by order entered on June 29, 1995. This Court has jurisdiction to review that judgment under 28 U.S.C. §§ 1254(1) and 2101(c). Because the rulings sought by petitioners are "fundamental to the further conduct of the case,"[1] the Court may exercise its cer-

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[1] If this Court determines that a work for hire agreement must be signed before creation of the work and/or that the works in question were not works for hire, virtually all of the issues that have been remanded to the district court with respect to copyright ownership under the 1976 Copyright Act will be eliminated from the case. The sole remaining question under the 1976 Copyright Act will be whether, during the period September 1979 through May 1984, Playboy acquired the copyrights in Nagel's works on an alternative theory, i.e., by a "transfer" of rights under 17 U.S.C. § 204(a). The district court has already answered that question in the negative, 831 F. Supp. at 309, 61a, and the court of appeals did not

tiorari jurisdiction notwithstanding the interlocutory nature of the order below. U.S. v. General Motors Corp., 323 U.S. 373, 377 (1945). See also Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 408-09 (1916).

STATUTORY PROVISIONS INVOLVED

Section 201 of the 1976 Copyright Act, 17 U.S.C. § 201, entitled "Ownership of copyright," provides:

> "(a) INITIAL OWNERSHIP.—Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.
>
> "(b) WORKS MADE FOR HIRE.—In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.
>
> "(c) CONTRIBUTIONS TO COLLECTIVE WORKS.—Copyright in each separate con-

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disapprove of this ruling. 53 F.3d at 563; 32a-33a.

tribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series."

Section 101 of the 1976 Copyright Act, 17 U.S.C. § 101, entitled "Definitions," provides in pertinent part:

"A 'work made for hire' is —

"(1) a work prepared by an employee within the scope of his or her employment; or

"(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire."

Subdivision (a) of section 204 of the 1976 Copyright Act, 17 U.S.C. § 204, enti-

tled "Execution of transfers of copyright ownership," provides:

> "(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."

STATEMENT OF THE CASE

The present case is a copyright ownership dispute relating to some 300 paintings between an artist's widow and Playboy magazine, which published reproductions of the artworks. A substantial majority of the artworks in issue were created after January 1, 1978, the effective date of the 1976 Copyright Act. Playboy claimed that the paintings were "commissioned" and fell within the second subdivision of the definition of a "work made for hire" set forth in section 101 of the 1976 Copyright

Act,[2] making the magazine the deemed "author" and initial copyright owner under section 201(b).

In Community for Creative Non-Violence v. Reid, 490 U.S. 730 (1989) ("CCNV"), the Court resolved a conflict among the circuits over the proper interpretation of the "work made for hire" ("work for hire") provisions of the 1976 Copyright Act pertaining to works prepared by employees within the scope of their employment, 17 U.S.C. §§ 101(1) and 201(b). This case calls upon the Court to resolve an equally important conflict among the circuits over the meaning of the work for hire provisions pertaining to "specially ordered or commissioned" works created by independent contractors, 17 U.S.C. §§ 101(2) and 201(b).

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[2] For convenience, we refer to the two subdivisions of section 101's definition of a "work made for hire" as section "101(1)" and "101(2)."

Under the work for hire provisions of the 1976 Copyright Act pertaining to independent contractors, the hiring party, rather than the creator, is deemed the author and initial copyright owner of certain enumerated types of "specially ordered or commissioned works" only where "the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. § 101(2).

Consistent with the dual purposes of the 1976 Copyright Act to protect authors against unintended forfeiture of their rights and to promote certainty as to copyright ownership, as well as the language, structure and legislative history of the statute, the Seventh Circuit has held that an independent contractor's work for hire agreement must be reduced to writing before creation of the work. In the present case, the Second Circuit re-

jected this approach, holding that a so-called "legend agreement" rubberstamped on the back of a payment check could satisfy the writing requirement of section 101(2), even though it was tendered and endorsed after creation and delivery of the work. Further, although the Second Circuit acknowledged that the parties must reach agreement as to whether a given commissioned work will be deemed a work for hire prior to its creation, it dispensed with any requirement that such an agreement must be express, relying instead upon an "implicit" understanding that it inferred years after the fact from its own view of the parties' course of conduct.

The Parties

Respondents Playboy Enterprises, Inc. ("PEI") and Special Editions, Ltd. ("SEL") are Delaware corporations having their principal places of business in Chicago, Illinois (collectively "Playboy"). 831 F.

Supp. at 299; 40a. They filed this action in 1991 in the U.S. District Court for the Southern District of New York seeking a declaratory judgment that PEI is the sole owner of all right, title and interest in all copyrights in approximately 300 works of art created by Patrick Nagel which were reproduced in PEI's publication, Playboy, between 1974 and 1984. Id. SEL is a wholly owned subsidiary of PEI to which PEI has transferred its rights, if any, in the Nagel works. Id.

Defendant Jennifer Dumas, a New York citizen, is Nagel's widow. Id. Defendant Jennifer Dumas, Inc. ("JDI") is a California corporation with its principal place of business in New York City since 1986. Id. Through JDI, Ms. Dumas controls and licenses the uses of the copyrights and related ownership rights that she obtained in Nagel's artworks upon his death. Id. Dumas assigned all of her

copyrights in Nagel's works to JDI in 1988. Id. (Hereinafter, Dumas and JDI are collectively referred to as "Dumas" unless otherwise specified.)

After Playboy began to market a portfolio of Nagel posters without Dumas' permission in June 1992, Dumas filed counterclaims for copyright infringement under the 1976 Copyright Act and unfair competition under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). Id. at 299, 301; 40a, 44a.

Nagel's Contributions to Playboy Magazine

Patrick Nagel was a successful freelance artist whose main body of work consisted of acrylic paintings on either illustration board or canvas. Id. at 299; 40a. In 1974, Nagel began submitting works of art to Playboy magazine. Over the following years, until his death at the age of 38 in 1984, Nagel produced approximately 300 works that were repro-

duced in the magazine. Id.; 40a-41a.

In producing the artworks at issue, Nagel worked in his own studio on days and at times of his own choosing, used his own tools and materials, and hired his own assistants. Id. While he was producing works that appeared in Playboy, he also painted privately commissioned works and exhibited his work in galleries and, beginning in 1977, with no objection from Playboy, licensed reproduction rights for similar kinds of works, including in some cases "lookalikes" of those that appeared in Playboy, A26-27[3], SF#67-69; Staebler, A697-99, to a California art publisher, Mirage Editions, Inc. 831 F. Supp. at 299, 301; 41a, 43-44a; A18, SF#27.

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[3] "A__" refers to the Joint Appendix submitted to the court of appeals. "SF#_" refers to Stipulated Facts from the Joint Pre-Trial Order (A13-71).

As noted above at p. 2, citations in the form "__a" are for the opinions below reproduced in Appendix A attached hereto.

As Playboy explained in a tribute to Patrick Nagel published shortly after his death:

> "His work had been exhibited in galleries from coast to coast. Prints hung in The Louvre, the White House and the Smithsonian. He had done work for other magazines (Harper's, Architectural Digest, Palm Springs Life). He had done portraits of such famous women as Joan Collins."

Pl. Ex. 1f at p. 170 (Playboy Jan. 1985 issue).

The amounts Playboy paid Nagel for uses of his paintings as illustrations in Playboy depended on the size of the reproduction in its magazine -- in most cases $150 to $250 for spot illustrations. A20, SF# 37. By way of comparison, during the applicable period, Fortune magazine paid its contributors $250-$300 for one-time use of spot illustrations, which was on the low end of the scale for national

general interest consumer magazines[4] such as Fortune and Playboy. 831 F. Supp. at 305 n.10; 53a.

The So-Called "Legend Agreements" on the Backs of Playboy's Payment Checks

The trial court found that Nagel never orally agreed to or even discussed with Playboy any relinquishment of his copyrights. Id. at 305, 309; 53a, 60a-61a. Playboy's Art Director also testified on direct examination that there was no "standing order or standing agreement of any kind" between Playboy and Nagel relating to his artworks and no "oral contract" that obligated either party beyond Playboy's consideration of individual artworks Nagel submitted for possible publication. Staebler, A565-66; 831 F. Supp. at 310-11;

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[4] The relevant industry is national general interest consumer magazines, including Playboy. See Perle, A906-7; accord Kovner, A769-70. 831 F. Supp. at 304; 50a.

64a. The court of appeals did not question these facts, noting that "[a]t trial, neither party proffered any direct evidence of the intent of the parties before the creation of the works." 53 F.3d at 560; 24a.

Playboy's endorsed payment checks constitute the only writings signed by Nagel or his representatives relating to Playboy's ownership of the copyrights in the works at issue. 53 F.3d at 553, 6a; 831 F. Supp. at 300, 43a; A19, SF#32. The two pertinent check legends used by Playboy in this period, "Legend B" (used from September 1979 to April 1981) and "Legend C" (used from April 1981 until Nagel's death in February 1984), are reproduced in Appendix B.[5] In each case, Playboy's pay-

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[5] The court of appeals concluded that an earlier check legend employed by Playboy from 1974 through mid-1979, "Legend A," could not satisfy the writing requirement of section 101(2) of the 1976 Copyright Act because it fails to mention a work for

ment check was sent after Playboy had received the work from Nagel; in some cases, Playboy issued its checks after the work was published, and in others even after Nagel's death. A19, SF #33; A1300-03; A1332-35; A2117-18; Staebler, A694-95. Legends B and C were used with respect to approximately 145 of Nagel's paintings, see A21, SF#43-44, that fall within the artist's most valuable works due to their subject matter and style. See Staebler, A564-65; compare Pl. Ex. 22, A2013, 2031, 2040, 2043, 2046 with A1245, 1249, 1252, 1261, 1272, 1288, 1300.

The checks were variously made out to Patrick Nagel, Patrick Nagel Studios, Inc., accountants or an art representative (53 F.3d at 553; 6a), and were not always endorsed by the "payee." See, e.g., A1385-89, 1402-05, 1768-70; see generally

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hire relationship. 53 F.3d at 560; 23a. Petitioners do not challenge this ruling.

Def. Ex. A, A2830-64. It was also stipulated that no documents known to plaintiffs or defendants showed that Nagel authorized any other persons to transfer his copyrights or to agree that the original artworks in question would be works for hire. A24-25, SF# 54-60.

Playboy's Unauthorized Sale of "Images from the Playboy Collection by Patrick Nagel"

While this action was pending in the district court, Playboy began selling, without Dumas' authorization, a collection of art posters entitled "Images from the Playboy Collection by Patrick Nagel" at prices ranging from $30 to $175 per individual print. 831 F. Supp. at 301; 44a. The collection consisted of reproductions of ten Nagel paintings, all of which were created after 1978. Id. Playboy had never before used Nagel's images without Nagel's or Dumas' approval for any purpose

other than as illustrations in its magazines or to accompany reprints of magazine articles. See, e.g., Pl. Ex. 27, A2331; Pl. Ex. 30, A2332; Staebler, A617-20, 688-89.[6] Dumas filed copyright infringement and unfair competition counterclaims based on these facts.

Consumer Magazine Industry

Custom and Practice

The district court summarized the expert testimony regarding customs and practices of the consumer magazine industry as follows:

> "Testimony from both sides indicates that check endorsements were frequently used within the industry to verify the terms of the pre-existing agreements. Tr. 415, 537. The use of the check endorsement alone, however, was not well regarded within the indus-

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[6] In fact, Playboy made an additional payment to Nagel each time it reprinted one of his illustrations in its magazine or in connection with the one occasion when it licensed a rerun of certain of its illustrated "Advisor" columns in a 1983 book, The Playboy Advisor on Love and Sex. Pl. Ex. 30, A2332; Staebler, A617-20.

> try. [Dumas' expert] Perle testified that the use of a check endorsement without a pre-existing written agreement, or certainly without an oral agreement, were 'outrageous subterfuges.' Tr. 544. Kovner [Playboy's expert] acknowledged that he knew of no 'reputable publisher who should use a legend agreement unless to confirm a prior express oral agreement as to the terms. Use of it in the first instance without any prior understanding is inappropriate at the bare minimum.' Tr. 399. He also could identify no magazine that would attempt to acquire rights by a check endorsement without a prior oral agreement."

Id. at 304; 51a.

The district court also accepted Mr. Perle's testimony that the custom in the consumer magazine industry between 1974 and 1984 was to acquire limited rights in contributions from its freelance contributors, often referred to as "one-time" rights. Id; 50a.[7] When a magazine

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[7] These rights, which were codified as the rights available to publishers of collective works under 17 U.S.C. § 201(c), included the privilege of reproducing and distributing the contribution as part of the collective work, any revision of the collective work, and any later work in the same series.

sought to acquire more than one-time rights, the author and the publisher would negotiate and expressly agree to the terms of the transfer; without such an agreement, the magazine obtained only limited rights. Id.

In addition, the experts for both sides agreed that even where a magazine did acquire all rights under copyright from a creator, it was industry custom for the magazine, including Playboy (Staebler, A652-53; Def. Ex. V, 2923-25; Def. Ex. AV, 3009-13), to hold the copyright in trust for and/or to reassign it to the creator after its exercise of one-time publication rights. Kovner, A794-95 (in the late 1970s and early 1980s); Perle, A923-24 (prior to 1978).

Proceedings Below

The District Court's September 9, 1993 Opinion

After a bench trial, the district court (Tenney, J.) entered an Opinion and Order on September 9, 1993, denying Playboy's claim for a declaratory judgment that it owned the copyrights in Patrick Nagel's original artworks, granting Dumas' counterclaim for copyright infringement and dismissing Dumas' counterclaim for unfair competition. 831 F. Supp. at 321; 85a.

With respect to the key work for hire issue under the 1976 Copyright Act, the district court concluded that Playboy had not proven that Nagel's paintings were "specially ordered or commissioned works" covered by section 101(2). Id. at 313-14; 68a-70a. As an independent, additional ground for rejecting Playboy's work for hire claim under the 1976 Copyright Act, the district court held, "on the basis of

the statutory scheme, the legislative history, and the reasoning of Judge Posner" in Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410 (7th Cir. 1992) ("Schiller"), that "a writing is required prior to the creation of a work in order for the work to be considered a "'work made for hire' within the meaning of 17 U.S.C. § 101(2)." 831 F. Supp. at 315; 73a. Because all of Playboy's checks came after the fact, they failed to satisfy this requirement. Id.; 74a.[8]

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[8] In view of these holdings, the district court found it unnecessary to reach the question of whether the language of Playboy's check legends would be sufficient to constitute the requisite express "written instrument signed by them that the work shall be considered a work made for hire" under section 101(2) of the 1976 Copyright Act. 831 F. Supp. at 314 n.21; 70a. In connection with its analysis of the 1909 Copyright Act, the district court also found that the language of Legend A (which Playboy continued to use for approximately 18 months after the 1976 Copyright Act took effect) "included no indication of a work made for hire relationship." Id. at 312; 67a.

The Court of Appeals May 5, 1995 Opinion

On appeal to the Second Circuit, the judgment of the district court was affirmed in part, reversed in part, and vacated in part, and the case was remanded.

With respect to Playboy's work for hire claim under the 1976 Copyright Act, the court of appeals held as a matter of law "that the 1976 Copyright Act requires that the parties agree before the creation of the work that it will be work made for hire," but then rejected the Seventh Circuit's conclusion in Schiller that the writing required by section 101(2) must also precede creation of the work. 53 F.3d at 559; 22a. Instead, the court below "assume[d] that the writing requirement of § 101(2) can be met by a writing executed after the work is created, if the writing confirm[ed] a prior agreement, either explicit or implicit, made before

creation of the work." Id.[9]

More specifically, with respect to the Playboy checks stamped with Legends B and C, the Second Circuit first found that the language "PAYEE: acknowledges payment in full for services rendered on a work-made-for-hire basis" (emphasis added) could satisfy section 101(2)'s requirement of a written work for hire agreement if the

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[9] The court of appeals agreed with the district court that the works created by Nagel between January 1, 1978 (when the 1976 Act became effective) and July 1979 were not works for hire. 53 F.3d at 560; 23a. It reasoned that the form of check legend used by Playboy during this period (Legend A) does not mention a work for hire relationship and so fails to satisfy the section 101(2) requirement that the parties must "expressly agree . . . that the work shall be considered a work made for hire." Id.

The court of appeals also accepted the district court's determination that the Playboy checks bearing Legend A did not satisfy the requirements of section 204(a) of the 1976 Copyright Act with respect to transfers of copyright because of the ambiguity of the legend's reference to a transfer of the "item" without mentioning rights under copyright. 53 F.3d at 564, 33a-35a; see 831 F. Supp. at 309, 61a.

checks bearing that language "were signed by both Playboy and Nagel and if Playboy can show the parties had an understanding, before the creation of each work, that the works were to be made for hire." Id. at 560 (emphasis in original); 25a. Disregarding the district court's findings concerning the customs and practices of the industry in which the parties interacted, and its conclusion that there was insufficient evidence from which to glean "the outline of any agreement" regarding copyright ownership between Nagel and Playboy, 831 F. Supp. at 305, 53a, the court of appeals stated:

> ". . . the parties' continued use of Legends B and C is sufficient to show that they intended a work-for-hire relationship. Playboy, by drafting the legends, clearly intended the works to be made for hire. For his part, Nagel, by endorsing Playboy's checks below Legends B and C, may be assumed to have consented to a continuing practice whereby any works he sold to Playboy would be considered works made for hire. While Nagel's endorsement of Playboy's first check bearing Legend B

> may not evidence his precreation consent to a work-for-hire relationship, Nagel's subsequent precreation consent to such a relationship may be inferred from his continued endorsements. Therefore, beginning with the second check containing Legend B, Nagel's endorsement of Playboy's checks constitutes sufficient evidence that the parties agreed before the creation of each work that it would be made for hire.
>
> "The checks, however, were, as we have said, signed at various times by a number of different persons and entities -- Nagel himself, his accountant, his bank, his artist's representative, and others. Our conclusion rests on the assumption that the checks were signed by Nagel himself or by an agent who was authorized to enter into a work-for-hire relationship on Nagel's behalf. The district court expressly reserved decision on the issue of whether the signatories (other than Nagel himself) had such authority. Playboy, 831 F. Supp. at 308 n.13. Accordingly, the case must be remanded to the district court for a determination whether the checks were signed by agents authorized to enter into a work-for-hire relationship on Nagel's behalf."

53 F.3d at 560-61; 25a (emphasis supplied).[10]

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[10] The court of appeals also remanded the case to the district court for an additional determination of whether these works were "commissioned" within the meaning of the 1976 Copyright Act.

The Court of Appeals' June 29, 1995 Opinion

Following a timely motion for rehearing by Dumas, the court of appeals issued an order on June 29, 1995 which modified the portion of its opinion concerning its assumption that the checks "were signed by Nagel himself or by an agent who was authorized to enter into a work-for-hire relationship on Nagel's behalf," on which the court had based its conclusion that the parties' continued use of Legends B

In view of its disposition of the work for hire issues, the court of appeals declined to decide whether Nagel had transferred to Playboy the copyrights in the works he created before January 1978 and after September 1979. 53 F.3d at 563; 32a-33a. As noted in note 8 above, because of its holding that the work for hire doctrine did not apply to the works created between January 1, 1978 and July 1979, the court of appeals did reach Playboy's alternative transfer theory, and affirmed the district court's finding that the checks bearing Legend A did not effect a transfer of these works. Id. at 564; 33a-34a.

and C showed that they had intended Nagel's paintings to be works for hire. 53 F.3d at 560; 24a-25a. The court clarified that, on remand, Playboy must prove that the persons who endorsed its payment checks had "actual authority" to enter into work for hire agreements on Nagel's behalf. 37a. It also "note[d] that the parties have stipulated that the first 64 checks bearing Legend B were not, in fact, endorsed by Nagel," 38a, without explaining how this fact affected its prior inconsistent finding that ". . . beginning with the second check containing Legend B, Nagel's endorsement of Playboy's checks constitutes sufficient evidence that the parties agreed before the creation of each work that it would be made for hire." 53 F.3d at 560; 25a.

REASONS FOR GRANTING THE PETITION

Preliminary Statement

The Constitutional purpose of our copy-

right laws is to "promote" the production of creative works. U.S. Const., Art. I, §8, Cl. 8. Our Founding Fathers recognized that in order to stimulate authorship and intellectual expression, authors must have the economic incentive of ownership rights. See Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975). In enacting the 1976 Copyright Act, Congress strengthened protections for authors and created a legislative framework designed to prevent unintended divestments of their rights. That statute reaffirms that the "author" is "the fundamental beneficiary of copyright under the Constitution." H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. at 140 (1976) ("House Rep.").[11] Thus, under the 1976 Copyright

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[11] In drafting the 1976 Copyright Act, Congress specifically recognized that "'[a]rtists and photographers are among the most vulnerable and poorly protected of all the beneficiaries of the copyright law. . . .'" CCNV, 490 U.S. at 747 n.13

Act, as under its predecessor, unless the author has given up his rights under copyright in a clear and unequivocal manner, he retains them. See Warner Bros. Pictures, Inc. v. Columbia Broadcasting System, Inc., 216 F.2d 945, 949 (9th Cir. 1954), cert. denied, 348 U.S. 971 (1955); S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1087-88 (9th Cir. 1989); Philipp v. Jerome H. Remick & Co., 145 F. Supp. 756, 758 (S.D.N.Y. 1936); Cassaway v. Chelsea Historic Properties, 1993 Copyright Law Decisions ¶27,071 at 26,264 (E.D. Pa. 1993).

In addition to strengthening protections for authors, as this Court made clear in CCNV, the 1976 Copyright Act embraced the related "paramount goal. . . of enhancing predictability and certainty of copyright ownership" in order to create

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(citation to legislative history omitted).

a copyright marketplace in which parties "at the outset can settle on relevant contractual terms, such as the price for the work and the ownership of reproduction rights." CCNV, 490 U.S. at 749-50; see Schiller, 969 F.2d at 412.

In holding that section 101(2) can be satisfied by an "implicit" agreement, if this is later confirmed by a rubber-stamped legend on the back of a payment check, 53 F.3d at 560-61, the Second Circuit (in conflict with the Seventh Circuit) has not merely unraveled the Congress' "carefully worked out compromise" on copyright ownership, see pp. 41-51 below, it has also closed its eyes to the language, structure and basic copyright policies underlying the statute. Its opinion reads like a decision in an ordinary commercial case turning on compliance with a state statute of frauds, nowhere taking into account the Constitutional

underpinning of the copyright laws to induce creation by recognizing and protecting authors' rights. Nor does it consider the likelihood -- indeed, inevitability -- that its ruling will create uncertainty and increase litigation as to copyright ownership by inviting hiring parties (like Playboy) to assert work for hire claims years after the fact, once the market value of the author's work has appreciated. See Mills Music, Inc. v. Snyder, 469 U.S. 153, 172 (1985).

The Court should grant the petition for any one or all of the following reasons.

I. THE SECOND CIRCUIT'S ERRONEOUS DECISION CREATES WIDESPREAD UNCERTAINTY AS TO COPYRIGHT OWNERSHIP AND PRESSES FOR IMMEDIATE RESOLUTION BY THIS COURT.

The decision below has nullified the Congressional objectives and judicially recognized goals of the 1976 Copyright Act, on an extremely important issue of

copyright law and policy:

> "The status of works prepared on special order or commission was a major issue in the development of the definition of 'works made for hire' in section 101, which has undergone extensive revision during the legislative process. The basic problem is how to draw a statutory line between those works written on special order or commission that should be considered as 'works made for hire,' and those that should not."

House Rep. at 121.

A work for hire determination is so important because, in contrast with a creator's "transfer" of copyright under section 204(a), work for hire status under section 201(b) renders the hiring party the deemed "author" of the work and deprives the actual creator of all rights under copyright, including the newly-legislated right to terminate a transfer or license after 35 years pursuant to section 203(a). As the Court explained in Mills Music, 469 U.S. at 172-73, "the termination right was expressly intended to re-

lieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product."

In CCNV, the Court again recognized that the "contours of the work for hire doctrine . . . carry profound significance for freelance creators -- including artists, writers, photographers, designers, composers, and computer programmers -- and for the publishing, advertising, music, and other industries which commission their works." 490 U.S. at 737 (footnote omitted).[12] The reasons that impelled

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[12] By 1955 approximately 40 percent of all copyright registrations were for works made for hire. CCNV, 490 U.S. 738 n. 4. At that time, the work for hire doctrine had not yet been applied to commissioned works. See CCNV, 490 U.S. at 749. Although the Copyright Office does not keep more recent statistics, id., the percentage of work for hire registrations has undoubtedly remained high in view of the growth of the nation and its creative productivity, and the extension of the

the Court in CCNV to address copyright ownership under section 101(1) apply with equal force to correcting an erroneous interpretation of section 101(2) with respect to commissioned works.

The briefs amicus curiae submitted to the court of appeals set forth in detail

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work for hire doctrine to commissioned works in the mid-1960's. See id.; 53 F.3d at 554; 9a-10a.

Copyrighted works have played an increasingly critical role for the U.S. in an evolving domestic and world marketplace. By 1993, total copyright industries, including "core" copyright industries, such as publishing, films, music, computer software and television, plus others that depend upon copyrighted works, contributed $362.5 billion, representing approximately 5.69% of GDP to the U.S. economy and 4.8% (5.7 million workers) of the total U.S. work force. S. Siwek and H. Furchtgott-Roth, Copyright Industries in the U.S. Economy: 1977-1993 (Economists Incorporated, January 1995), at page 11, tables 2, 8, and 10, and Report Summary at i and ii. In 1993, foreign sales in the "core" copyright industries achieved $45.8 billion, which represented the second largest U.S. industry in exports and foreign sales -- following only motor vehicles and automotive parts. Id. at pp. 13-14, Table 10 and Report Summary at iv.

the respects in which the issue presented here is of great concern to creators, copyright-related industries and the general public which benefits from the creations of authors. Thus, the Committee for Literary Property Studies, National Writers Union and Volunteer Lawyers for the Arts state that:

> "[t]he outcome of this appeal is very important to writers, painters, illustrators, photographers and other authors who create those works. Were the Court to accept the interpretation urged by Playboy Enterprises ("Playboy") and its amicus, Magazine Publishers of America (MPA), many of these authors would be deprived of copyrights, and they and their families would lose their statutory right to terminate long-term grants of their rights under sections 203 and 304(c)."

Brief Amicus Curiae of The Committee for Literary Property Studies, et al at 1-2. According to the Magazine Publishers of America, Inc.:

> ". . . the legal principles involved in this case dramatically impact upon publishers that produce and distribute periodicals which on a daily basis utilize the works of freelance journal-

ists and contributors in the preparation of articles and other material." Brief Amicus Curiae of Magazine Publishers of America, Inc. at 2.

For the parties, the Second Circuit's remand for further findings based on its erroneous reading of section 101(2) will further extend the litigation, increase their expenses and prolong the uncertainty as to who owns the copyrights in Nagel's most important works. This result is especially onerous for Dumas, who is not a publicly owned corporation but an owner of her own business. On the other hand, a reversal of the court of appeals' holding that Playboy's after the fact check legends complied with section 101(2) will be dispositive of the work for hire status of all Nagel's paintings under the 1976 Copyright Act.[13] The approximately 145

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[13] The court of appeals has already held that the paintings created by Nagel between January 1, 1978 and September 1979

paintings, see A21, SF#43-44, affected are also the most valuable of the Nagel paintings reproduced in Playboy due to their content and style. See Staebler, A564-65; compare Pl. Ex. 22, A2013, 2031, 2040, 2043, 2046 with A1245, 1249, 1252, 1261, 1272, 1288, 1300. A resolution of the question presented is therefore of immediate and critical import for the parties.

The 1976 Copyright Act was the product of an extraordinary 20 year revision effort. The resulting legislation, especially "the work made for hire" provisions, was the product of extensive drafting and "a series of carefully crafted compromises." CCNV, 490 U.S. at 748 n.14, 749-50.

The ruling below creates immediate uncertainty and will ineluctably lead to

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were not works for hire due to the insufficiency of Legend A as a work for hire agreement. 53 F.3d at 560; 23a.

increased copyright ownership disputes and an unpredictable copyright marketplace, to the detriment of authors and their families as well as the nation's numerous and economically important copyright related industries. The paucity of litigation before the decision below concerning section 101(2)'s writing requirement shows that, since the 1976 Copyright Act took effect, those affected by this provision have successfully addressed copyright ownership issues upfront, without resort to after the fact writings in the form of check endorsements or otherwise. See Perle, A932-34, 984; Kovner, A795-96. If allowed to stand, the decision below would thus be a significant step backward, resurrecting an outmoded and underhanded practice 20 years after the enactment of a new Copyright Act designed to strengthen protections for creators. See Kovner A796 ("I don't know any reputable publisher who

would use a legend endorsement unless to confirm a prior express oral agreement as to the terms. Use of it in the first instance without any prior understanding is inappropriate at the bare minimum."); A732 ("coercive practice"). Accord Perle A941-42 ("outrageous subterfuge"); A953-54.

Finally, the Second Circuit's suggestion that its ruling needs further testing in the "crucible" of other fact patterns, 53 F.3d at 559, 22a, is not only insensitive to the continuing injury that its decision will cause; it is totally illogical. The holding below is a broad and clear rejection of the pre-creation writing requirement, espoused by the Seventh Circuit, wherever a later writing "confirms a prior agreement, either explicit or implicit, made before the creation of the work." 53 F.3d at 559; 21a-22a. This legal rule will not be changed by any

different fact pattern.

Under these circumstances, so long after the Congress acted to strengthen protections for authors and to eliminate precisely the kind of uncertainty created by the decision below, it is imperative for the Court to act now and prevent the unraveling of the key goals of the statute.

II. THE COURT BELOW GAVE AN INDEFENSIBLE CONSTRUCTION TO THE INITIAL OWNERSHIP PROVISIONS OF THE COPYRIGHT ACT.

In CCNV, the Court reviewed the statutory text and legislative history of the work for hire definition at length, and held: "Strict adherence to the language and structure of the Act is particularly appropriate where, as here, a statute is the result of a series of carefully crafted compromises." 490 U.S. at 748, n.14 (citations omitted). It is also well established that a court should interpret

a statutory provision in light of "the provisions of the whole law, and . . . its object and policy." Kelly v. Robinson, 479 U.S. 36, 43 (1986) (citations and internal quotations omitted). Generally, courts disfavor interpretations of statutes that render language superfluous. Connecticut National Bank v. Germain, 503 U.S. 249 (1992).

In this case, every relevant guide to statutory interpretation -- the language and structure of the provision in question, its legislative history and the Supreme Court's articulation of its specific purpose, as well as the overall goals of the 1976 copyright law revision -- contradicts the Second Circuit's reading of sections 101 and 201(a) of the 1976 Copyright Act.

1. Language of the Statute. The work for hire definition in section 101(2) requires the parties to "expressly agree

in a written instrument signed by them that the work shall be considered a work made for hire" (emphasis supplied). The language chosen by Congress in section 101(2) is quite deliberately different from the language it employed in section 204(a) to impose a writing requirement in the case of an initial copyright owner's subsequent "transfer" of copyright ownership. Under section 204(a), a "transfer" is not valid unless "an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent" (emphasis supplied). In contrast, section 101(2) makes no reference to and does not contemplate a "note or memorandum" memorializing a prior work for hire agreement. Congress' use of the future tense "shall" in section 101(2) further confirms that the work for hire agreement cannot post-date

the work's creation.

Notwithstanding the differences between the texts of sections 101(2) and 204(a), the court of appeals extended the more liberal rules governing transfers under section 204(a), explained in Eden Toys, Inc. v. Florelee Undergarment Co., 697 F.2d 27, 36 (2d Cir. 1982), to work for hire agreements under section 101(2). 53 F.3d at 559; 22a. In doing so the court completely overlooked critical differences between the two provisions, including the fact that work for hire status, unlike a transfer of copyright, deprives a creator of the newly-legislated right to terminate a transfer or license after 35 years pursuant to section 203(a), among other significant consequences. CCNV, 490 U.S. at 737.

2. Structure of the Statute. The Second Circuit's decision allowing retroactive work for hire agreements also dis-

regards the "structure" of the 1976 Copyright Act, CCNV, 490 U.S. at 748, n.14, which is quite deliberately built upon the premise that every work is "created" by a known "author." The statute does not allow the author's identity to be suspended and determined a month, or a year, or ten years after the work is completed. Thus:

- Under section 201(a) of the 1976 Copyright Act, copyright "vests initially in the author or authors of the work."
- With respect to contributions to a magazine, the rule is no different. Section 201(c) provides that "[c]opyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution."

- Under section 302(a), "[c]opyright in a work . . . subsists from its creation."
- And under section 101, "[a] work is 'created' when it is fixed in a copy . . . for the first time . . . ."

Here, far from giving "strict adherence" to this scheme, CCNV, 490 U.S. at 748, n.14, the court of appeals did not even allude to the statutory structure reflected in the above-quoted provisions and cited by the district court, 831 F. Supp. at 314, 71a-72a, which dictates that authorship, including the corollary determination of whether the work is one made for hire, must be determined at the time when the work is first "created," i.e., "fixed." It cannot be held in limbo until a later date. See Dumas v. Gommerman, 865 F.2d 1093, 1098 (9th Cir. 1989) (ownership vests in the employer "ab initio" in the

case of a work for hire under section 201(b)). Unlike ownership, which can be freely transferred at any time, see 17 U.S.C. §§201(d) and 204(a), authorship and the initial ownership determined thereby pursuant to section 201(b) can never change.

3. The Legislative History. The unique 20 year drafting process leading to the 1976 Copyright Act has given the legislative history of this Act a special status. See CCNV, 490 U.S. at 743; Harry Fox Agency v. Mills Music, Inc., 720 F.2d 733, 736 (2d Cir. 1983), reversed sub nom. Mills Music, Inc. v. Snyder, 469 U.S. 153 (1985). Furthermore, because the Copyright Office played the principal role in drafting the statute, including the work for hire provisions, its views contained in this history have been given great weight by the courts. See Mills Music, 469 U.S. at 159-60, 182 n.6; CCNV, 490

U.S. at 743; Dumas v. Gommerman, 865 F.2d at 1097-1101.

Section 101(2) originated in the 1964 revision bill, which was the first draft of the legislation that extended work for hire status beyond those prepared by an employee within the scope of his or her employment to commissioned works. CCNV, 490 U.S. at 745, citing legislative history. In explaining this expansion from the prior draft, the Copyright Office stated that a commissioned work "would not be considered a work made for hire if the contract were signed later on – after the work was written, for example." H.R. Rep. No. 51-374, 89th Cong., 1st Sess., Part 5, 1964 Revision Bill with Discussions and Comments, at 145 (1965) (September 2, 1965) (Comments of Barbara Ringer, U.S. Copyright Office). As we explained to the court of appeals, Ms. Ringer's views were not those of a witness who "testi-

fied" at a hearing,[14] but those given on behalf of the U.S. Copyright Office as the drafter the 1964 Revision Bill. See CCNV, 495 U.S. at 745, identifying House and Senate bills.

From 1964 until passage, the wording of section 101(2)'s writing requirement did not change. Compare, 1964 Revision Bill quoted in CCNV, 490 U.S. at 745 with 17 U.S.C. § 101(2). Nor is there any contrary comment to Ms. Ringer's above-quoted explanation in any of the 20 year legislative history.

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[14] The court of appeals nevertheless incorrectly assumed as Judge Tenney did in the district court, that Ms. Ringer was merely a witness giving testimony. See 53 F.3d at 558, 19a, citing 831 F. Supp. at 314, 72a. In fact, Ms. Ringer was "the person who was most instrumental in drafting the 1976 Act," Mills Music, Inc. v. Snyder, 469 U.S. 153, 184, 105 S. Ct. 638 (1985) (White, J. dissenting). See Harry Fox Agency, Inc. v. Mills, 720 F.2d 733, 741 n.15 (2d Cir. 1983) quoting 1 Nimmer, Preface at vi n. 6.

4. The Statutory Policy and Purpose.

As part of a "carefully worked out compromise," Congress decided to protect creators of commissioned works against forfeiture of all rights under copyright, including their newly legislated termination right, by requiring the parties to address this consequence upfront, or, in the words of Justice Marshall "at the outset," thereby "enhancing predictability and certainty of copyright ownership." CCNV at 749-50.

Given this specific purpose, it is not possible to imagine a ruling more likely to invite uncertainty and the onerous litigation against authors rights' that a decision of this kind inevitably engenders. As such, the court of appeals' decision also evidences a complete insensitivity to the fundamental policy of the 1976 Copyright Act to strengthen authors' rights and to protect them from divestment

of their rights unless they have clearly and expressly agreed to relinquish them.

5. Commentators. Leading commentators also agree that the writing required by section 101(2) must precede creation of the work. See generally W. Patry, I Copyright Law and Practice 374 (1994) ("The requirement that both parties sign the agreement before the work is created is absolute: since copyright vests automatically upon creation, absent the requisite agreement before creation, the person who authored the work will be the copyright owner.") (emphasis in original, footnote omitted); W. Patry, Latman's The Copyright Law 120, n.29 and 121 (6th ed. 1986); E. Perle and J. Williams, The Publishing Law Handbook, §15.03[g] at 15-23 to 15-24 (1992 & Supp. 1993) ("it seems quite clear . . . that the requisite instrument be signed before the work is created.").

The only authority cited by Second

Circuit for its contrary interpretation of section 101(2) is an argument advanced in M.B. Nimmer and D. Nimmer, I Nimmer on Copyright § 5.03[B][2][b] (1994) ("Nimmer"), that, in certain cases where it is "the unanimous intent of all concerned that the work for hire doctrine would apply," the bright line Seventh Circuit rule of Schiller "could frustrate the intent of the parties and cloud rather than serve the goal of certainty." 53 F.3d at 559; 22a. Yet the one thing a flat rule prohibiting a retroactive writing would produce is absolute certainty; if the creator and the hiring party have not signed a work for hire agreement before the work is created, they will know at the outset where they stand and the door will not be left open for the hiring party to alter the original state of affairs by belated and highly fact-bound arguments and, as here, unpredictable

litigation. Moreover, the premise of Nimmer's statement -- that a work for hire arrangement "was the unanimous intent among all concerned" (quoted by the court below at 53 F.3d at 559; 22a) -- is inapplicable here; the Second Circuit itself recognized that there was no "direct evidence of the intent of the parties before creation of the works," id. at 560, 24a, even though its "conclusion rests" on its inconsistent appellate determination that the parties had an "implicit" understanding that Nagel's paintings would be works for hire. Id. at 560; 25a. In contrast, the district court found that the intent of Playboy and Nagel was at best ambiguous, 831 F. Supp. at 305, 53a; 310-11, 64a; 315 n.23, 72a-73a, a finding which the court of appeals did not reject as clearly erroneous, see Point IV below. The statement in the Nimmer treatise was, in any event, based on the inapposite

facts of Arthur Rutenberg Homes, Inc. v. Drew Homes, Inc., 29 F.3d 1529 (11th Cir. 1994), involving a transfer of copyright under section 204(a), not a work for hire agreement under section 101(2).[15]

III. THERE IS A CONFLICT AMONG THE CIRCUITS OVER THE PROPER INTERPRETATION OF SECTION 101(2) OF THE 1976 COPYRIGHT ACT

In Schiller, the Seventh Circuit -- Playboy's home circuit -- specifically held that a purported work for hire agree-

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[15] For the critical differences between sections 101(2) and 204(a), see pp. 42-44 above.

In Rutenberg, the court held that an architectural firm had transferred its copyrights in certain architectural drawings to the builder who hired the firm to create them under section 204(a) of the 1976 Act. Unlike the present case, it was undisputed that the parties had orally agreed at the outset that the builder would own the copyrights in the drawings; in addition, the builder later secured a written "Certificate of Release" from the architectural firm confirming that the firm had, from the beginning, assigned all of its copyright rights to the builder.

ment, signed by a freelance photographer several years after he took photographs on special commission for the plaintiff's mail order catalog, did not satisfy section 101(2) because it "came too late":

> "The requirement of a written statement regarding the copyright on a specially commissioned work is not merely a statute of frauds, although that is the purpose emphasized by the cases. Dumas v. Gommerman, 865 F.2d 1093, 1101 (9th Cir. 1989); Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises, Inc., 815 F.2d 323, 328 n.8 (5th Cir. 1987) [,cert. denied, 485 U.S. 941 (1988)]. That is, it is not only designed to protect people against false claims of oral agreements . . . . For the signed-statement requirement in section 101(2) has a second purpose — to make the ownership of property rights in intellectual property clear and definite, so that such property will be readily marketable. Cf. Community for Creative Non-Violence v. Reid, supra, 490 U.S. at 750, 109 S. Ct. at 2178; 1 Goldstein, supra, § 4.3.2.2, at pp. 404-05. The creator of the property is the owner . . . . The writing must precede the creation of the property in order to serve its purpose of identifying the (noncreator) owner unequivocally. It did not precede it here."

969 F.2d at 412-13.

In Konigsberg International, Inc. v. Rice, 16 F.3d 355, 356 (9th Cir. 1994), citing Schiller, the Ninth Circuit held that even a transfer of copyright ownership under section 204(a) of the 1976 Copyright Act -- which has far less serious consequences to the creator than a work for hire agreement (see p. 42-44 above) -- "must, at the very least, be executed more or less contemporaneously with the agreement and must be a product of the parties' negotiations."[16] The Ninth Circuit can therefore be expected to follow the Schiller rule in cases involving commissioned works for hire.

The Second Circuit below has taken a very different view. While purporting to "agree with the Seventh Circuit that the

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[16] The Ninth Circuit's decision in Konigsberg is also not entirely consistent with the Second Circuit's rule liberally allowing execution of a written transfer memorandum after the fact. See Eden Toys, supra.

writing requirement was created, in part, to make ownership of intellectual property rights clear and definite" and acknowledging this Court's statement in CCNV, 490 U.S. at 750, that "one of Congress's goals in creating the work-for-hire provisions of the 1976 Copyright Act was to 'ensur[e] predictability through advance planning'", 53 F.3d at 559, 21a, the Second Circuit dispensed with any requirement that the writing memorializing a work for hire agreement must be executed before creation of the work. As shown above, the court of appeals disregarded the language, structure, legislative history and policy goals of the statute in reaching this result.

IV. BY SUBSTITUTING ITS FACT FINDINGS FOR THOSE OF THE DISTRICT COURT, THE COURT BELOW HAS ALSO SO FAR DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS AS TO CALL FOR EXERCISE OF THIS COURT'S POWER OF SUPERVISION.

Under Fed. R. Civ. P. Rule 52(a), a district court's "[f]indings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses." In making an assumption of what it termed the "implicit" intent of the parties to enter into a series of work for hire agreements based upon a course of dealing, the court below so transgressed these mandates as to warrant the grant of certiorari on this basis alone. See, e.g., Anderson v. Bessemer City, 470 U.S.

564, 84 L.Ed.2d 518 (1985).

This Court has stated on numerous occasions that "[d]etermining the weight and credibility of the evidence is the special province of the trier of fact." Inwood Laboratories, Inc. v. Ives Laboratories, 456 U.S. 844, 856, 72 L.Ed.2d 606, 616 (1982). It has spelled out the restrictions under which the court of appeals must operate; for instance, "a reviewing court [cannot] reverse the finding of a trier of fact simply because it is convinced it would have decided the case differently." Anderson v. Bessemer City, 470 U.S. at 573. Further, "where there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous." Id. at 574.

In this case, the court of appeals, 15 to 20 years after the fact, made a critical and prohibited appellate fact finding that the parties' course of dealing estab-

lished an "implicit" work for hire relationship, even though it did not -- and could not -- reverse the district court's findings that "Playboy introduced no credible evidence as to any existing prior agreement" and that at the best the parties' intentions were ambiguous. 831 F. Supp. at 305; 52a. Indeed, it purported to accept these findings, 53 F.3d at 560, 24a-25a, but then disregarded them.

The Second Circuit's impermissible appellate factfinding, couched in terms of inferences and "assumptions" about what was "implicit" from an alleged course of dealing, not only disregarded the district court's soundly based findings of fact, but also ignored the facts of record concerning the parties' course of dealing. Playboy itself insisted that it had no overall agreement with Nagel and no commitment to him at any point before it sent him a particular payment check. Staebler,

A565-66. Prior to the commencement of this litigation, Playboy never reused any of Nagel's paintings without permission from and payment to Nagel or Dumas. Staebler, A617-20. Further, in the industry in which the parties interacted, in the absence of express prior agreements, magazines acquired only limited use rights from freelance contributors, and, when magazines, including Playboy, acquired more than one-time publication rights, they would customarily reassign those rights to their freelance contributors. Kovner, A794-95; Perle, A923-24; Abend v. MCA, Inc., 863 F.2d 1465, 1469 n.2 (9th Cir. 1988), cert. granted sub nom., 493 U.S. 807 (1989), aff'd on other grounds, 495 U.S. 207 (1990); Jerry Vogel Music Co. v. Warner Bros., Inc., 535 F. Supp. 172, 174 (S.D.N.Y. 1982); Quinn-Brown Pub. Corporation v. Chilton Co., 15 F. Supp. 213, 214 (S.D.N.Y. 1936). As noted by

Nimmer, "contracts regarding copyrighted works typically arise not in a vacuum, but in the context of ongoing industries to exploit copyrights. Therefore, evidence of the custom and practice of those industries frequently helps to shed light on that intent." (citations omitted). Id., §10.08 at 10-73. See May v. Morganelli-Heumann & Associates, 618 F.2d 1363, 1369 (9th Cir. 1980).

The Second Circuit's attempt to construct an artificial "implicit" agreement out of ambivalent evidence also disregarded section 201(c) of the statute which, as a matter of law, enacted "a presumption that, unless there has been an express transfer of more, the owner of a collective work acquires 'only the privilege of reproducing and distributing the contribution as part of that collective work . . .'"(emphasis added). House Rep. at 122, quoting 17 U.S.C. § 201(c); see

also Oddo v. Ries, 743 F.2d 630 (9th Cir. 1984). Thus, the endorsement by Nagel and his agents of Playboy's checks, necessary to collect payment, legally and factually could not give rise to any inference on a work for hire or any other basis that Nagel intended Playboy to own all rights under copyright in his paintings.[17]

Since the Second Circuit's improper appellate fact finding in violation of Rule 52(a) was the entire underpinning on which its erroneous legal ruling on sec-

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[17] The court of appeals' resort to inferences and assumptions disregards section 101(2)'s plain requirement that the parties "expressly" agree on work for hire consequences and also flies in the face of basic copyright law and policy which preclude a transfer under section 204(a) based on "conduct" to divest an author of his copyright, see, e.g., Eden Toys, 697 F.2d at 36, and which require ownership to be determined on a work by work, not group, basis. Weissmann v. Freeman, 868 F.2d 1313 (2d Cir.) (it would "stand copyright law on its head" to infer that an owner of copyright in one work in a series thereby also owns an interest in the others), cert. denied, 493 U.S. 883 (1989).

tion 101(2) "rests," 53 F.3d at 560, 25a, this Court should also exercise its supervisory power to review and reverse this outcome determinative error in this case.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 639—August Term, 1994

(Argued December 8, 1994 Decided May 5, 1995)

Docket Nos. 94-7500L, 94-7542XAP

PLAYBOY ENTERPRISES, INC. and
SPECIAL EDITIONS, LTD.,

Plaintiffs-Counter-Defendants,
Appellants-Cross-Appellees,

—v.—

JENNIFER DUMAS and JENNIFER DUMAS, INC.,

Defendants-Counter-Claimants,
Appellees-Cross-Appellants.

Before:

OAKES, CARDAMONE and WINTER,
Circuit Judges.

Playboy Enterprises, Inc. and Special Editions, Ltd. (collectively "Playboy") appeal from an order of the

United States District Court for the Southern District of New York, Tenney, *J.*, dismissing Playboy's claim for declaratory judgment that Playboy is the sole owner of the copyright of approximately 285 works of art created by Patrick Nagel which appeared in *Playboy* magazine from 1974 to 1984, and granting the counterclaim for copyright infringement of Jennifer Dumas and Jennifer Dumas, Inc. Judgment is affirmed in part, reversed in part, and vacated in part, and the case is remanded.

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ROGER L. ZISSU, New York, NY (Lisa Pearson, Laurence S. Rickles, Weiss Dawid Fross Zelnick & Lehrman, P.C., of counsel), *for Defendants-Counter-Claimants, Appellees-Cross-Appellants.*

(Alan J. Hartnick, New York, NY (Lawrence E. Abelman, Jeffrey A. Schwab, Nancy J. Mertzel, Abelman, Frayne & Schwab, of counsel)), *for Magazine Publishers of America, Inc., Amicus Curiae.*

(Charles D. Ossola, Alexandria, VA (Lowe, Price, LeBlanc & Becker, of counsel)), *for American Society of Media Photographers and Graphic Artists Guild, Amici Curiae.*

(Irwin Karp, Rye Brook, NY (John M. Kernochan, Law Office of Irwin Karp, of counsel)), *for Committee for Literary Property Studies, National Writers Union, and Volunteer Lawyers for the Arts, Amici Curiae.*

OAKES, *Senior Circuit Judge*:

Appellants Playboy Enterprises, Inc. and Special Editions, Ltd. (collectively "Playboy") appeal from a judgment entered on April 20, 1994 in the United States District Court for the Southern District of New York, Charles H. Tenney, *Judge*, following a bench trial and the entry of two opinions, dated September 9, 1993 and December 20, 1993 and reported at 831 F. Supp. 295 and 840 F. Supp. 256. The order dismissed Playboy's claim for declaratory judgment that Playboy is the sole owner of all right, title and interest of the copyrights of approximately 285 works of art created by Patrick Nagel which appeared in *Playboy* magazine from 1974 to 1984. The order also granted the counterclaim for copyright infringement of appellees Jennifer Dumas (Nagel's widow) and Jennifer Dumas, Inc. (collectively "Dumas"). Judgment is affirmed in part, reversed in part, and vacated in part, and the case is remanded.

Background

The following is not disputed by the parties. Patrick Nagel was a freelance artist who from 1974 until his death in 1984 produced approximately 285 pieces of artwork which were published in *Playboy* magazine. From

August 1975 until July 1984, at least one Nagel painting appeared in every issue of *Playboy*. At the outset, Nagel was given specific instructions by Playboy as to the content of the paintings—Playboy requested illustrations to accompany specific articles or particular letters for the 'Advisor' section of the magazine. The paintings were, not surprisingly, generally of nude women, in various poses. Sometime after January 1977 but before August 1978, Playboy stopped giving Nagel any specific instructions. Nagel and Playboy settled into a course of conduct whereby Nagel would routinely submit paintings and Playboy would generally publish his work. As the district court found, "as time went on, [Nagel] was given greater freedom to submit the paintings he wanted, which apparently matched what Playboy was interested in publishing." *Playboy Enterprises, Inc. v. Dumas*, 831 F. Supp. 295, 300 (S.D.N.Y.), *modified*, 840 F. Supp. 256 (S.D.N.Y. 1993).

From 1974 until 1977, Playboy kept each piece of original artwork that was created for and delivered to it by contributors, including Nagel. Effective April 1, 1977, Playboy adopted a new policy of returning the original works to contributors.[1] Playboy stamped the following legend on each piece of work it returned:

> PLAYBOY'S ARTWORK
> REPRODUCTION
> PROHIBITED WITHOUT
> PLAYBOY'S PERMISSION

Playboy paid Nagel for each of the published paintings by check after Nagel delivered the work. He was paid $150 to $250 for a spot illustration, $800 for a full-

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[1] The parties agree that physical possession of the original work is not determinative of the ownership of the reproduction rights to the work.

page illustration, and $1200 for a double-page spread. Each check bore a legend endorsement.

The first 104 checks, issued between 1974 and July 1979, were stamped with the following legend ("Legend A"):

> Any alteration of this legend agreement voids this check. By endorsement of this check, payee acknowledges payment in full for the assignment to Playboy Enterprises, Inc. of all right, title, and interest in and to the following items: [a description of a painting followed].

The next 60 checks, issued between September 1979 and approximately March 1981, were stamped with this legend ("Legend B"):

> Any alteration of this legend agreement voids this check. BY ENDORSEMENT, PAYEE: acknowledges payment in full for services rendered on a work-made-for-hire basis in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc. of all right, title and interest (except physical possession), including all rights of copyright, in and to the Work.

Finally, the last 94 checks, issued between March 1981 and May 1984, were stamped with this legend ("Legend C"):

> Any alteration of this legend agreement voids this check. IT CONTAINS THE ENTIRE UNDERSTANDING OF THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITING SIGNED BY BOTH PARTIES. BY ENDORSEMENT, PAYEE: acknowledges payment in full for the services rendered on a work-made-for-hire basis in

connection with the Work named on the face of the this check and confirms ownership by Playboy Enterprises, Inc. of all right, title, and interest (except physical possession), including all right of copyright, in and to the Work.

At different times the checks were made out to Pat Nagel, Patrick Nagel Studios, Inc., Elias-Berman (an accountant), Raymond MacQueen (also an accountant), or The Art Factory (Nagel's artist's representative), and they were endorsed and deposited by Nagel himself, his bank, his corporation, his accountant or his artist representative. These endorsed checks constitute the only writings signed by Nagel or his representatives relating to Playboy's ownership of the copyrights in the works produced for *Playboy*.

In producing the paintings, Nagel used his own equipment, tools and materials. He worked at his own studio, on days and times of his own choosing. He hired his own assistants to do work at his studio, and at no time did Playboy withhold taxes from his pay or provide him with employee benefits. Throughout his career, including the time when he was producing work for *Playboy*, Nagel produced art for other companies, including American Express and Bank of America. He also painted privately commissioned work and exhibited his paintings in galleries.

Upon Nagel's death in 1984, his widow, Jennifer Dumas obtained copyrights and related ownership rights to Nagel's artwork. In 1988, she assigned all of her copyrights in Nagel's works to Jennifer Dumas, Inc. ("JDI"). Before his death, Nagel had entered into an agreement with Mirage Editions, Inc., providing for the publication and marketing of limited editions of repro-

ductions of certain Nagel paintings. The posters and fine art reproductions published and sold by Mirage generated $21 million in sales revenues from 1984 to 1990, and another $2.5 million in 1991 and 1992.

In 1989, Dumas entered into agreements granting reproduction rights to third parties for all Nagel works which had previously appeared in *Playboy* magazine. Playboy brought an action in the Northern District of Illinois for copyright infringement. The parties settled the dispute by entering into an agreement which specified that Dumas and Playboy would each receive a certain percentage of the income generated by the exploitation of the Nagel works in question. The agreement was mutually terminated effective June 1, 1991.

In September 1991, Playboy brought this suit seeking a declaratory judgment that it is the sole owner of all copyrights in the Nagel paintings which had appeared in *Playboy* magazine. In June 1992, Playboy began marketing a collection of five silkscreen reproductions and five offset productions of Nagel's artwork under the name "The Playboy Collection by Patrick Nagel." The works in the collection were all originally published in Playboy magazine, and all were created after 1978. In October 1992, Dumas filed an amended counterclaim for copyright infringement.

In the district court, Playboy argued that Nagel had transferred the copyrights in question to Playboy by means of the legend agreements on the checks. Alternatively, it argued that the Nagel paintings were "works for hire" under both the Copyright Act of 1909 and the Copyright Act of 1976, which thereby made Playboy the "author" of the works and the owner of the copyrights.

On September 9, 1993, following a bench trial, the district court issued an opinion and order holding that Nagel transferred only one-time reproduction rights to Playboy and that the Nagel works were not "works for hire." The court held, accordingly, that Playboy's Nagel Collection reproductions infringed copyrights owned by Dumas. This appeal followed.

Discussion

The paintings at issue in this case were produced from 1974 to 1984. The Copyright Act of 1976, U.S.C. Title 17, ("the 1976 Act") took effect on January 1, 1978. Accordingly, the paintings produced before that date are governed by the Copyright Act of 1909 ("the 1909 Act"), and the paintings produced on or after that date are governed by the 1976 Act.

The district court chose to address first the issue whether the copyrights were transferred to Playboy, and then the issue whether the works were "made for hire." Because the work-for-hire issue determines the author of the works, and therefore who can later transfer the copyright, we discuss that issue first.

I. *Works For Hire Under the 1909 Act*

The 1909 Act mentioned works for hire only in the definition section of the statute, where it specified that "[i]n the interpretation and construction of this title . . . the word 'author' shall include an employer in the case of works made for hire." 17 U.S.C. § 26 (1976) (repealed), *reproduced in* 5 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* ("*Nimmer*") app. 6-26-29 (1994). Under this definition, an "employer" who hires another to create a copyrightable work is the "author" of

the work for purposes of the statute, absent an agreement to the contrary. *See, e.g., Tobani v. Carl Fischer, Inc.*, 98 F.2d 57, 59-60 (2d Cir.), *cert. denied*, 305 U.S. 650 (1938). The statute, however, did not define the terms "employer" or "works made for hire." Until the mid-1960's, federal courts applied the work-for-hire doctrine only to cases in which a traditional employer/employee relationship existed between the hiring party and the creator of the work. *See Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 749 (1989). In 1965, however, the Ninth Circuit applied the doctrine to a case in which an employer commissioned a work by an independent contractor. *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965). The court held:

> [W]hen one person engages another, whether as employee or as an independent contractor, to produce a work of an artistic nature . . . the presumption arises that the mutual intent of the parties is that the title to the copyright shall be in the person at whose instance and expense the work is done.

Id. We adopted that holding the next year in *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567-68 (2d Cir. 1966), in which we held that an independent contractor is an "employee" and a hiring party an "employer" for purposes of the statute if the work is made at the hiring party's "instance and expense".

We have since defined the "instance and expense" test as being met "when the 'motivating factor in producing the work was the employer who induced the creation.' " *Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 914 (2d Cir. 1974) (quoting *Picture Music,*

Inc. v. Bourne, Inc., 457 F.2d 1213, 1216 (2d Cir.), *cert. denied*, 409 U.S. 997 (1972)). We have also held that in the work-for-hire context under the 1909 Act, "an essential element of the employer-employee relationship, [is] the right of the employer 'to direct and supervise the manner in which the writer performs his work.' " *Picture Music*, 457 F.2d at 1216 (quoting *Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 643 (2d Cir. 1967) (quoting Nimmer, *Copyright* § 62.31 (1964)), *cert. denied*, 389 U.S. 1036 (1968)). *See also Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737, 744 (2d Cir. 1975), *cert. denied*, 424 U.S. 955 (1976) (the hallmark of "an employment for hire" is whether the employer could have exercised the requisite power to control or supervise the creator's work).

In *Picture Music*, we found that the song "Who's Afraid of the Big Bad Wolf" was a work for hire where the employers, Walt Disney Productions and Irving Berlin, recognized that the musical score of a cartoon could be adapted into a popular song, asked Ann Ronell to do the adaptation, and later paid her royalties in exchange for her work. We held that the employers "took the initiative in engaging Miss Ronell to adapt" the song and had the power to "accept, reject, or modify her work." 457 F.2d at 1217.

Conversely, in *Siegel*, we found that the comic strip character Superman was not a work for hire because although the creators revised and expanded the comic strip at the request of the publishers and were paid for that work, the Superman character was completely developed long before the employment relationship existed. 508 F.2d at 914.

Once it is established that a work is made for hire, the hiring party is presumed to be the author of the work. That presumption can be overcome, however, by evidence of a contrary agreement, either written or oral. *Roth v. Pritikin*, 710 F.2d 934, 937 n.3 (2d Cir.), *cert. denied*, 464 U.S. 961 (1983). The burden of proof is on the independent contractor to demonstrate by a preponderance of the evidence that such a contrary agreement was reached. *Real Estate Data, Inc. v. Sidwell Co.*, 809 F.2d 366, 371 (7th Cir. 1987); *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28, 31 (2d Cir. 1939), *cert. denied*, 309 U.S. 686 (1940).

A. *Were the Works "Made For Hire"?*

The district court applied the instance and expense test to the Nagel paintings. It found that "[t]here is no doubt that Nagel was directed to create at least some of the works that appeared in *Playboy* prior to January 1, 1978. The portrait of Lillian Hellman, the art accompanying the Nellis article, and illustrations for features on travelers' aids (*Playboy*, March 1975) must have been 'motivated' or 'induced' by Playboy." *Playboy*, 831 F. Supp. at 311. The court made no specific findings as to whether any other particular paintings were made at the "instance" of Playboy, but concluded that "many of the Nagel works in the pre-1978 period were created at the instance of Playboy." *Id.* at 312. The court, however, held that the paintings were not works for hire because they were not made at Playboy's "expense." Although it was undisputed that Playboy paid Nagel a fee for each painting published by Playboy, the court concluded that the paintings were not made at Playboy's expense because "Nagel provided his own tools, worked his own hours, hired his own assistants, and paid his own taxes

and benefits" and because "[t]here is no indication that there was any real risk involved for Playboy." *Id.* at 311.

Playboy argues that these factual findings support the conclusion that Nagel was working as an independent contractor rather than as a formal employee of Playboy, but not the conclusion that the paintings were made at Nagel's expense. Dumas argues that this is an issue of fact, and, accordingly, we may reverse the district court only if its decision was clearly erroneous.

The parties do not dispute the underlying facts set forth by the district court: Nagel provided his own tools, worked his own hours, hired his own assistants, and paid his own taxes and benefits. The question which is raised, in our view, is a mixed one which we review *de novo*: whether those facts, as a matter of law, show that the paintings were made at Nagel's rather than Playboy's expense. *See Weissmann v. Freeman*, 868 F.2d 1313, 1317 (2d Cir.), *cert. denied*, 493 U.S. 883 (1989) ("when a district court makes findings of fact predicated upon an incorrect legal standard such findings are not binding on an appellate court").

It appears that the district court used the wrong test to determine whether the works were made at Playboy's expense. The factors considered by the district court, as Playboy points out, are among the factors listed by the Supreme Court in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 751-52 (1989), which may be used to show that an artist worked as an independent contractor and not as a formal employee. The factors have no bearing on whether the work was made at the hiring party's expense.

Our prior cases on work for hire under the 1909 Act have found the "expense" requirement to be met where

a hiring party simply pays an independent contractor a sum certain for his or her work. *See Brattleboro*, 369 F.2d at 568 (price paid by merchants to newspaper for advertisement fulfilled the "expense" requirement); *Yardley*, 108 F.2d at 31 ("expense" requirement met when artist was commissioned to paint a mural for pay). In contrast, where the creator of a work receives royalties as payment, that method of payment generally weighs against finding a work-for-hire relationship. *See Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 642 (2d Cir. 1967), *cert. denied*, 389 U.S. 1036 (1968); *Everts v. Arkham House Publishers, Inc.*, 579 F. Supp. 145, 149 (W.D. Wis. 1984); *cf. Picture Music*, 457 F.2d at 1216 (finding a work-for-hire relationship where payment was a percentage of royalties, holding that "[t]he absence of a fixed salary . . . is never conclusive"). The simple fact that Playboy paid Nagel a fixed sum for each of the works published in *Playboy* magazine is sufficient to meet the requirement that the works be made at Playboy's expense.

As we find that all the works in this time period were made at Playboy's expense, any of those works which were also made at Playboy's instance, and which Playboy had the right to control or supervise, are works for hire under the 1909 Act. *See Picture Music*, 457 F.2d at 1216. The district court did not reach these issues because it held that the works were not made at Playboy's expense. The court, however, did make a number of factual findings which are relevant to these points.

The court found that "[t]here is no doubt that Nagel was directed to create at least some of the works that appeared in *Playboy* prior to January 1, 1978," *Playboy*, 831 F. Supp. at 311, and that "Nagel was given specific instructions for his early submissions to Playboy." *Id.* at

310. The court credited a statement made by Hugh Hefner, the former editor of *Playboy* magazine, that "At first we asked [Nagel] to illustrate a particular letter to the 'Advisor' every month, but soon . . . [w]e asked him simply to give us a painting a month." *Id.*

The court also found that:

> Sometime after January 1977 but before August 1978, Nagel and Playboy fell into a course of conduct whereby Nagel would produce a few works for Playboy expecting them to be published; Playboy, in turn, expected to publish a few of Nagel's works.

Id. at 310-11. In addition, the court found that "Playboy apparently was no longer controlling characteristics of the works by mid-1978. . . . The instance [beyond mid-1978] cannot be determined. The relationship was a continuing one, and plaintiffs have offered no evidence of any specific orders after 1976." *Id.* at 313.

These findings show that the relationship between Playboy and Nagel evolved over time. The district court found that the evidence presented was insufficient to show the exact date on which Playboy ceased giving Nagel specific assignments. Its best estimate was "after January 1977 but before August 1978." From the court's findings we can draw the conclusion that at least during the time before January 1977, Playboy gave Nagel specific assignments and often asked him to illustrate particular articles that were to appear in *Playboy* magazine. It is safe to say that during this phase of their relationship, Playboy was the "motivating factor" in the creation of the paintings. Nagel certainly would not have created those particular paintings if he had not been given the assignments by Playboy. Thus, the paintings made during this time were made at Playboy's instance.

The district court also found that before mid-1978, Playboy not only had the right to control the works but it actually controlled certain characteristics of the paintings. *Id.* This, combined with the fact that the paintings created before January 1977 were made at Playboy's "instance and expense", makes those works "works for hire." The case, however, must be remanded for a determination of whether the paintings made after January 1977 but before January 1, 1978 were also made at Playboy's instance.[2]

B. *An Agreement To the Contrary?*

As noted above, once it is determined that a work is made for hire, the hiring party is presumed to be the author of the work, although this presumption can be overcome by evidence of an agreement to the contrary. The district court found evidence of such a contrary agreement. 831 F. Supp. at 312.[3]

The court reasoned that if Playboy and Nagel had intended a work-for-hire relationship, Playboy would have confirmed that relationship in the check legends. Instead, it found, Playboy chose to ratify the relationship with the language of Legend A, which indicates a general transfer of rights to Playboy. *Id.* Such an assignment of rights to Playboy, the court reasoned, "would not

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[2] To this end, if the district court finds that Playboy stopped giving Nagel specific assignments before January 1, 1978, our discussion of "instance and expense" in Section II(B) may provide guidance.

[3] The district court held that even if the instance and expense test was met, the works were not made for hire because of this agreement. *Id.* This finding is in error because once the instance and expense and the right to control the product tests are met, the works are for hire under the 1909 Act. An agreement to the contrary contracts around the statutory presumption and only changes which party is considered the author of the work.

make sense if the parties presumed that Playboy would be the author of the work for statutory purposes," because if Playboy were the author, Nagel would hold no rights to the paintings and, thus, would have nothing to transfer to Playboy in Legend A. *Id.*

The court supported its conclusion with a reference to industry custom. *See May v. Morganelli-Heumann & Assocs.*, 618 F.2d 1363, 1369 (9th Cir. 1980) (industry custom may be used to prove parties' intent that works not be made for hire). The court found that from 1974 until January 1, 1978, the effective date of the 1976 Act, "the custom in the magazine industry was that absent explicit language to the contrary, a contributor transferred only one time reproduction rights in the work sold for publication." *Playboy*, 831 F. Supp. at 312. The court found that Legend A, which acknowledges an "assignment to Playboy Enterprises, Inc. of all right, title and interest in and to" the paintings, combined with the custom in the industry showed that the parties intended Nagel to remain the author of the works. *Id.*

Playboy challenges this finding. It argues that Legend A is not inconsistent with a work-for-hire agreement, which would make Playboy the author of the work for statutory purposes, because the 1909 Act only governed works after they were published. Before publication, all works were governed by common law copyright. The checks containing the Legend A transfer agreement were issued pre-publication, and Playboy argues that "[t]o protect Playboy's rights in the illustrations during this period, an assignment of the common law rights was necessary, and Legend Agreement A accomplished just that." Appellants' Brief at 32.

As we discuss more fully in Section III, we find it impossible to discern the intent of the parties from the language of Legend A. The legend acknowledges an assignment of rights, but it does not specifically mention copyright—let alone common law copyright. It could intend the transfer of a one-time use right, as the district court found, or of common law copyright, as Playboy argues, or of all rights—including both copyright and possessory rights. As Legend A is not clear, and as Playboy's explanation for the agreement is at least plausible, we are not convinced that the legend either proves or disproves that the parties intended something other than a work-for-hire relationship.

Further, we are not convinced by the district court's recourse to industry custom. The district court used evidence of custom to conclude that the parties intended that Nagel transfer only one-time reproduction rights to Playboy, and that he retain authorship and copyright in the paintings. The court, however, did not consider the impact of the fact, stipulated by the parties, that it was "the regular and consistent policy and practice of Playboy at all relevant times in this action to seek to acquire from all freelance writers, artists and photographers who contribute to *Playboy* magazine all rights, including copyrights, in and to their contributions." Joint Pre-Trial Order, Stipulated Facts, ¶ 23. This practice is, of course, not conclusive of the intent of these particular parties because it sheds no light on Nagel's intent, but it clearly undercuts the import of the industry custom cited.

Given the controverted evidence of a contrary agreement between Playboy and Nagel, we conclude that it was clearly erroneous for the district court to find that Dumas met her burden of proving that the parties intended a relationship other than work for hire. Hence,

by presumption, Playboy is the "author" of the works created before January 1, 1978 that were made for hire.

II. *Works For Hire Under the 1976 Act*

The 1976 Act defines the contours of the work-for-hire doctrine in much more detail than its predecessor. The 1976 Act states:

> In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

17 U.S.C. § 201(b) (1988). The Act explicitly defines works made for hire:

> A "work made for hire" is—
>
> (1) a work prepared by an employee within the scope of his or her employment; or
>
> (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. . . .

17 U.S.C. § 101 (1988).

The parties agree that Nagel was not a formal employee of Playboy when he produced the paintings at issue in this case, so the works are "works made for

hire" only if they satisfy the requirements of § 101(2). The parties also agree that *Playboy* magazine is a "collective work" within the meaning of the statute. Accordingly, we are left with two questions: 1) were the works "specially ordered or commissioned" by Playboy? and 2) as to each work in question, did the parties "expressly agree in a written instrument signed by them that the work shall be considered a work made for hire"? We consider the writing requirement first.

A. *The Writing Requirement*

Section 101(2) requires that the parties "expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. § 101(2) (1988). The checks issued by Playboy are the only writings signed by both Playboy and Nagel (or one of Nagel's representatives) relating to Playboy's ownership of the copyright in the works published in *Playboy*. The district court found that even assuming, *arguendo*, that the works meet all the other statutory requirements of § 101(2), the check legends are not sufficient to meet the writing requirement of that section because they were signed after the creation of the works. *Playboy*, 831 F. Supp. at 314.

The court reasoned that a decision otherwise would render other sections of the Act redundant. It argued that work-for-hire agreements must be executed pre-creation; otherwise they are little more than transfers, which are governed separately under § 204 of the Act. *Id.* The court also noted that Barbara Ringer of the U.S. Copyright Office testified before Congress that her understanding of the legislation that became the 1976 Act was that a work prepared on special order or commission would not be considered a "work made for hire" if the

written agreement was signed after the work was created. *Id.* (citing H.R. Rep. no. 51-374, 89th Cong., 1st Sess., Part 5, *1964 Revision Bill with Discussion and Comments*, at 145 (1965)).

The court also relied upon a Seventh Circuit decision, *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992) (Posner, *J.*), which held that § 101(2) requires that a written agreement precede the creation of the work. Judge Posner reasoned that the requirement of a written statement "is not only designed to protect people against false claims of oral agreements." *Id.* at 412. Rather, "the signed-statement requirement in section 101(2) has a second purpose—to make the ownership of property rights in intellectual property clear and definite, so that such property will be readily marketable." *Id.* Accordingly, the court held that "[t]he writing must precede the creation of the property in order to serve its purpose of identifying the (noncreator) owner unequivocally." *Id.* at 413.

Playboy argues that this requirement of a pre-creation writing has no basis in the statute. Section 101(2), Playboy notes, is silent as to when the parties' "written instrument" must be executed. In response to the district court's conclusion that a post-creation writing would essentially be a transfer governed by § 204 of the act, Playboy points out that a work-for-hire agreement would make the hiring party the "author" of the work, whereas a transfer would convey only ownership of the copyright. This difference, it argues, makes the transactions fundamentally different and thus not duplicative.

Playboy also argues that the requirement of a pre-creation writing is contrary to existing Second Circuit law. Playboy points to *Eden Toys, Inc. v. Florelee Under-*

garment Co., 697 F.2d 27 (2d Cir. 1982), in which we held that the "note or memorandum" of a transfer agreement, required by § 204(a) of the 1976 Act, "need not be made at the time when the license is initiated; the requirement is satisfied by the copyright owner's later execution of a writing which confirms the agreement." *Id.* at 36.

We agree with the Seventh Circuit that the writing requirement was created, in part, to make the ownership of intellectual property rights clear and definite. The Supreme Court, in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 750 (1989) ("CCNV"), stated that one of Congress's goals in creating the work-for-hire provisions of the 1976 Act was to "ensur[e] predictability through advance planning." In *CCNV*, the Court rejected the petitioner's argument that independent contractors should be considered "employees" under § 101(1) if their works were "actually controlled" by the hiring party. That interpretation, the Court reasoned, would "thwart" the purpose of § 101 because it "leaves the door open for hiring parties, who have failed to get a full assignment of copyright rights from independent contractors falling outside the subdivision (2) guidelines, to unilaterally obtain work-made-for-hire rights years after the work has been completed." *Id.* (quoting Hamilton, *Commissioned Works as Works Made for Hire Under the 1976 Copyright Act: Misinterpretation and Injustice*, 135 U. Pa. L. Rev. 1281, 1304 (1987)).

Likewise, Congress's goal of "predictability" would be thwarted if a hiring party and an independent contractor could enter into a work-for-hire agreement years after a work was created. Prior to execution of such an agreement, the parties, as well as third parties, would act with the understanding that the independent contractor

was the "author" of the work. Only after the parties agreed retroactively that the work was made for hire would the hiring party somehow become the "author". We also question whether Congress intended that a work could have two separate "authors"—one during the first phase of its existence, and another after a work-for-hire agreement were executed. We therefore find that the 1976 Act requires that the parties agree before the creation of the work that it will be a work made for hire.

We are not convinced, however, that the actual writing memorializing the agreement must be executed before the creation of the work. The Nimmers make a convincing argument in their treatise on copyrights that such a requirement could itself create uncertainty. They argue:

> [O]ne can [ ] imagine claims involving parties each of whom knew of the unanimous intent among all concerned that the work for hire doctrine would apply, notwithstanding that some of the paperwork remained not fully executed until after creation of the subject work. In that [ ] circumstance, the bright line rule could frustrate the intent of the parties, and cloud rather than serve the goal of certainty.

1 *Nimmer* § 5.03[B][2][b] (1994). They conclude that "perhaps this rule needs further testing in the crucible of fact patterns by future cases." *Id.* We agree. In the fact pattern of this case, we will assume that the writing requirement of § 101(2) can be met by a writing executed after the work is created, if the writing confirms a prior agreement, either explicit or implicit, made before the creation of the work.

That leaves us with three questions: 1) whether the language of the legends was sufficient to meet the writ-

ing requirement of § 101(2); 2) if so, whether Playboy and Nagel understood at the time the works were created that the works were made for hire, *cf. Eden Toys*, 697 F.2d at 36 (remanding to the district court to determine whether an oral transfer was made); and 3) whether the legend agreements were signed by both parties or by their authorized agents.

1. *Legend A*

Legend A was stamped on the back of the checks issued from 1974 through July 1979. The legend reads:

> Any alteration of this legend agreement voids this check. By endorsement of this check, payee acknowledges payment in full for the assignment to Playboy Enterprises, Inc. of all right, title and interest in and to the following items: [a description of a painting followed].

This agreement does not mention a work-for-hire relationship. It only mentions an "assignment." It does not, therefore, satisfy the writing requirement of § 101(2) that "the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. § 101(2) (1988). Therefore, the works created between January 1, 1978 (when the 1976 Act became effective) and July 1979 are not works for hire.

2. *Legends B & C*

In contrast to Legend A, Legends B and C each contain language sufficient to meet the writing requirement of § 101(2). Legend B, which was stamped on checks issued between September 1979 and March 1981, reads:

> Any alteration of this legend agreement voids this check. BY ENDORSEMENT, *PAYEE: acknowledges* payment in full for *services rendered on a work-made-for-hire basis* in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc. of all right, title and interest (except physical possession), including all rights of copyright, in and to the Work. (emphasis added).

Legend C, which was stamped on the checks issued between March 1981 and May 1984, reads:

> Any alteration of this legend agreement voids this check. IT CONTAINS THE ENTIRE UNDERSTANDING OF THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITING SIGNED BY BOTH PARTIES. BY ENDORSEMENT, *PAYEE: acknowledges* payment in full for the *services rendered on a work-made-for-hire basis* in connection with the Work named on the face of the this check and confirms ownership by Playboy Enterprises, Inc. of all right, title, and interest (except physical possession), including all right of copyright, in and to the Work. (emphasis added).

Since Legends B and C contain essentially identical language confirming that services were rendered by Nagel on a work-for-hire basis, they meet the statutory writing requirement if they were signed by both Playboy and Nagel and if Playboy can show that the parties had an understanding, before the creation of each work, that the works were to be made for hire.

At trial, neither party proffered any direct evidence of the intent of the parties before the creation of the works. As we discussed above, *see* Section I(A) *supra*, the evi-

dence of industry custom and the evidence of Playboy's usual practice was conflicting. However, the parties' continued use of Legends B and C is sufficient to show that they intended a work-for-hire relationship. Playboy, by drafting the legends, clearly intended the works to be made for hire. For his part, Nagel, by endorsing Playboy's checks below Legends B and C, may be assumed to have consented to a continuing practice whereby any works he sold to Playboy would be considered works made for hire. While Nagel's endorsement of Playboy's first check bearing legend B may not evidence his pre-creation consent to a work-for-hire relationship, Nagel's subsequent pre-creation consent to such a relationship may be inferred from his continued endorsements. Therefore, beginning with the second check containing Legend B, Nagel's endorsement of Playboy's checks constitutes sufficient evidence that the parties agreed before the creation of each work that it would be made for hire.

The checks, however, were, as we have said, signed at various times by a number of different persons and entities—Nagel himself, his accountant, his bank, his artist's representative, and others. Our conclusion rests on the assumption that the checks were signed by Nagel himself or by an agent who was authorized to enter into a work-for-hire relationship on Nagel's behalf. The district court expressly reserved decision on the issue of whether the signatories (other than Nagel himself) had such authority. *Playboy*, 831 F. Supp. at 308 n.13. Accordingly, the case must be remanded to the district court for a determination whether the checks were signed by agents authorized to enter into a work-for-hire relationship on Nagel's behalf.

B. *Specially Ordered or Commissioned*

Since we conclude that Legends B and C may meet the writing requirement of § 101(2), we next consider whether the works created after September 1979 (the date at which Legend B was first used) were "specially ordered or commissioned" by Playboy.

In addressing this question, the district court found that Congress intended to incorporate the "instance and expense" test into the statute through the phrase "specially ordered or commissioned." *Playboy*, 831 F. Supp. at 313. The Supreme Court has stated, the court noted, that "a party who hires a 'specially ordered or commissioned' work by definition has the right to specify the characteristics of the product desired." *Id.* (quoting *CCNV*, 490 U.S. at 741). In a footnote, the district court stated:

> This court interprets the language of the Supreme Court to mean that the exercise of the right of artistic control by the party for whom the work is being prepared can be highly indicative of a commissioned relationship. However, this court believes that the waiver or absence of exercise of that right need not negate the possibility of a commission relationship. *See Nimmer*, § 5.03[B][2][d], 5-44, n. 171.

Id. n.19.

The court went on to hold that no work created after January 1, 1978 was "specially ordered or commissioned" as required under the 1976 Act. The court found that the issue of who controlled the characteristics of the works, if it had any weight at all, weighed in favor of Nagel because by mid-1978, Playboy no longer con-

trolled these characteristics. *Id.* at 313. The court also found that it could not determine whether the works were made at Playboy's instance because Playboy offered no evidence of special orders after 1976. Playboy argued that the course of conduct of the parties should be sufficient, but the district court found that "determinations of works made for hire must be established on a work-by-work basis." *Id.* (citing *Weissmann*, 868 F.2d at 1317). Finally, the district court relied upon the fact that Nagel bore the expense of creation (because he supplied his own tools, etc., *see* Section I(A) *supra*) as well as the risk "because there was no commitment on the part of Playboy to purchase the works." *Id.*

Playboy argues that the "instance and expense" test "is a relic of the 1909 Act," Appellants' Br. at 35, and has no place in an analysis of work for hire under the 1976 Act. It further urges that under the 1976 Act, "[i]f the parties claim in an agreement that they contracted on a work for hire basis, and if the particular work falls within one of the nine enumerated categories, the creator has received all the protection the Act contemplates." *Id.* at 34.

We find Playboy's characterization of the requirements of the 1976 Act incomplete. The statute specifies that the work must be either a work prepared by an employee within the scope of his or her employment, or a work "specially ordered or commissioned" and falling within one of nine categories. The legislative history sheds considerable light on the intent of the drafters: "The thought here is that, in the [nine] special cases specifically mentioned . . . *the work will be considered a work for hire, but only if it is in fact 'specially ordered or commissioned' for that purpose* . . . ." Supplementary Report of the Register of Copyrights on the General

Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., Copyright Law Revision, pt. 6, p. 67 (emphasis added). The district court was thus correct to determine whether the paintings were "specially ordered or commissioned" by Playboy.

The issue, thus, becomes whether the district court properly interpreted the meaning of "specially ordered or commissioned." We first examine whether it was proper for the district court to consider the fact that Playboy no longer controlled the characteristics of Nagel's work. Two well respected commentators on copyright law are agreed that under the 1976 Act, the issue whether a work is "specially ordered or commissioned" is unrelated to the issue of which party has artistic control over the product. Professor Patry, in discussing the changes to the Copyright Act proposed in 1965 which were incorporated into the 1976 Act, states:

> [T]he status of a work created by an independent contractor as a specially ordered or commissioned work made for hire ha[s] nothing to do with whether the commissioning party exercise[s] any (or complete) supervision and control over the independent contractor's work.

William F. Patry, *Latman's The Copyright Law* at 121 (6th ed. 1986). The Nimmers agree. In the section of their treatise relied upon by the district court, they note that while the fact that an artist retains artistic control over a work is "inconsistent with a 'for hire' relationship under the 1909 Act," it "is not necessarily inconsistent with a commission relationship" under the 1976 Act. 1 *Nimmer*, § 5.03[B][2][d], n.171.

We agree with these commentators that the hiring party need not possess or exercise artistic control over

the product for a work to be "specially ordered or commissioned" within the meaning of § 101(2). The district court took out of context the Supreme Court's comment in *CCNV* that "a party who hires a 'specially ordered or commissioned' work by definition has a right to specify the characteristics of the product desired." A hiring party, the Court noted, has this right "at the time the commission is accepted, and frequently until it is completed." *CCNV*, 490 U.S. at 741. In other words, a commissioning party may ask a contractor for any specific work at the outset of their relationship and may continue to make specific requests to the extent their contractual relationship allows. The Court explicitly rejected the "actual control" test that this court had articulated in *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984), as being outside the scope of the statutory language. 490 U.S. at 742. Thus, the district court was in error to the extent that it based its conclusion that Nagel's works were not "specially ordered or commissioned" on the fact that by mid-1978 Playboy no longer actually controlled the characteristics of Nagel's work.

The issue whether the "instance and expense" test was incorporated into the statute through the words "specially ordered or commissioned" is even more difficult. The starting point for the interpretation of a statute is always its language. *Consumer Product Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980). The phrase "specially ordered or commissioned," the Court tells us in *CCNV*, denotes a commercial relationship in which a hiring party pays an independent contractor for his or her work. 490 U.S. at 742-43. This may arguably be equivalent to the "expense" prong of the old test. The words "specially ordered or commissioned" also imply

that the hiring party has specifically asked the independent contractor for a work—arguably the "instance" prong.

The Nimmers, in their discussion of the meaning of "specially ordered or commissioned", state:

> In the ordinary case where one person is requested by another to prepare a copyrightable work, a commissioned relationship exists. The surrounding circumstances, however, may indicate that this is not the case. The key factor would appear to be whether the "motivating factor in producing the work was the [person requesting preparation of the work] who induced [its] creation. . . ."

1 *Nimmer* § 5.03[B][2][d] (quoting *Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 914 (2d Cir. 1974)) (footnotes omitted). The "motivating factor" test is, in fact, an interpretation of the "instance and expense" test under the 1909 Act. *See Siegel*, 508 F.2d at 914.

It appears, therefore, that the phrase "specially ordered or commissioned" has essentially the same meaning as "instance and expense". The district court applied the instance and expense test, but relied erroneously, as discussed in Section I(A), on its conclusion that the works were not made at Playboy's expense. We have held above that the paintings were made at Playboy's expense, and we find that the method of payment used by Playboy is consistent with a commission relationship. Thus, in order to determine whether the works created after July 1979 were "specially ordered or commissioned," the district court must determine whether the works were made at Playboy's instance—in other words, following the suggestion of the Nimmers,

whether Playboy was the "motivating factor" in the creation of the works.

As discussed above in Section I(A), the district court found that sometime between January 1977 and August 1978, Playboy and Nagel had settled into a course of conduct whereby Nagel would produce paintings and Playboy would publish them. An employee of Playboy testified at trial that "at some point we told [Nagel] we are going to be running this and it looks like this is going to be a regular feature, but there was no commitment on either part that it couldn't be stopped at any point." *Playboy*, 831 F. Supp. at 311. The question is whether under this course of conduct Playboy was the "motivating factor" behind the creation of the paintings.

The evidence presented at trial shows that Playboy made specific requests for illustrations until at least January 1977, and perhaps until mid-1978. During those years, Nagel painted illustrations to accompany specific articles or letters. After mid-1978, however, Nagel was free to draw anything he liked. Hugh Hefner described the evolution of the relationship as follows:

> At first, we asked [Nagel] to illustrate a particular letter to the 'Advisor' every month, but soon it was clear that trying to funnel such a large talent so narrowly was like telling Irwin Shaw or Ray Bradbury what to write about. We asked him simply to give us a painting a month. As it turned out, the painting he gave us invariably illuminated one, two, three or all of that month's 'Advisor' letters in a way no commissioned illustration ever had.

Id. at 310.

The district court on remand may find that during the second phase of their relationship Playboy was not the motivating factor behind Nagel's paintings. Playboy no longer made specific requests for paintings, and Playboy had no commitment to purchase any of Nagel's work. The evidence further shows that during this time an independent market existed for Nagel's work. Hence, the district court may find that the works were not "specially ordered or commissioned" by Playboy, and therefore were not works for hire under the statute.

Alternatively, the court may find that although Playboy was not assigning Nagel specific projects, Playboy and Nagel had an implicit understanding that Nagel would submit at least one work per month to Playboy. The evidence at trial showed that every issue of *Playboy* from August 1975 to July 1984 contained at least one Nagel illustration. Additionally, the evidence showed that after 1978, Nagel was paid for approximately 20 to 30 paintings which he submitted but which Playboy did not publish. Playboy's payment for paintings which it did not publish would support the conclusion that the parties understood that Playboy implicitly requested paintings each month. The district court may, therefore, also conclude on remand that the paintings made after mid-1978 were "commissioned" within the meaning of the 1976 Act.

III. *Transfer*

Because we find that all of Nagel's works created before January 1977 are works made for hire, and that, accordingly, Playboy is their "author", we need not address whether Nagel transferred copyright in those works to Playboy by Legend A. We also need not address whether copyright in Nagel's works created from

January 1977 through January 1, 1978 (governed by the 1909 Act) and Nagel's works created from September 1979 through 1984 (governed by the 1976 Act) were transferred by the check legends because the issue will not arise unless the district court finds that the works were not made for hire.

We have held, however, that Nagel is the "author" of works created between January 1, 1978 and July 1979. Accordingly, we address whether the copyrights in those works, governed by the 1976 Act, were transferred from Nagel to Playboy by Legend A.

The 1976 Act provides that:

> A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

17 U.S.C. § 204(a) (1988). The legend agreements on the backs of the checks issued by Playboy as payment to Nagel are the only writings signed by Nagel or Nagel's agents that could arguably convey copyright to Playboy. We must therefore examine whether those writings are sufficient to satisfy § 204(a).

Legend A, which was stamped on the checks for works created between January 1, 1978 and July 1979, states that "payee acknowledges payment in full for the assignment to Playboy Enterprises, Inc. of all right, title and interest in and to the following items: [a description of a painting followed]." The district court found the legend to be ambiguous because it does not mention the word "copyright," and because it transfers rights to

"items" while "ownership of copyright in a work is distinct from ownership of the material object." *Playboy*, 831 F. Supp. at 308. The court also noted that the language does not describe a present transfer; it confirms a previous transfer of rights. *Id.* at 309. Playboy, however, "introduced no credible evidence as to any existing prior agreement." *Id.* at 305. Accordingly, the court concluded, "[g]iven the lack of evidence surrounding the agreements said to underlie checks bearing Legend A . . . Legend A was insufficient, by itself, to transfer copyright ownership in any of the Nagel works." *Id.* at 309.

Playboy argues that the plain meaning of the phrase "assignment . . . of all rights, title and interest" includes the assignment of all copyrights. It notes that after April 1, 1977, Playboy returned artwork to Nagel bearing a stamp stating "Playboy's artwork[;] reproduction prohibited without Playboy's permission." Since a copyright owner controls reproduction of a work, Playboy argues, the stamp shows that the parties understood that Nagel had transferred copyright in the works to Playboy. At the very least, Playboy contends, Nagel never objected to the stamp, thereby acquiescing in its contents through his course of action.

The Seventh Circuit, in *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992), found a transfer agreement that did not mention "copyright" sufficient to meet the writing requirement of § 204(a). "It is true that the Copyright Act requires that assignments be in writing," the court reasoned, "but we have the writing . . . . [T]he issue is its interpretation." *Id.* at 413. The court concluded from the circumstances surrounding the agreement that the parties intended to transfer copyright by the agreement. *Id.*

Here, the district court found it impossible to determine the intent of the parties, and we cannot find the court's decision clearly erroneous. Legend A does not expressly mention copyright. While we do not agree with the district court that the parties could have intended to transfer only physical pieces of artwork, we believe, as we discuss above in Section I(B), that the evidence is conflicting as to whether the parties intended a one-time transfer of reproduction rights or a transfer that included copyright. We also believe the district court was within its prerogative to determine that the stamp on the back of the artwork was not indicative of an understanding between the parties. Given the ambiguity of the agreement and the accompanying circumstances, we must defer to the district court's determination that Legend A is insufficient to meet the writing requirement of § 204(a).

Conclusion

For the reasons stated above, the judgment of the district court is affirmed in part, reversed in part, and vacated in part, and the case is remanded for a determination of whether the works created between January 1977 and January 1, 1978 were made at Playboy's "instance", whether the persons who endorsed the checks on Nagel's behalf from September 1979 to May 1984 were authorized by Nagel to enter into a work-for-hire agreement, whether the works during that time period were "specially ordered or commissioned" within the meaning of the 1976 Act, and, if necessary, whether Nagel transferred copyright in the works created in the above-mentioned time intervals to Playboy by means of the check legends.

We hold that the works created before January 1977 were works for hire under the 1909 Act and, because Dumas failed to meet her burden in proving an agreement to the contrary, Playboy is the "author" of those works and owns their copyrights. We hold that the works created between January 1978 and July 1979 were not works for hire because Legend A does not meet the writing requirement under the 1976 Act, and we uphold the district court's finding that copyright in those works was not transferred by Legend A and therefore remained with the artist. Judgment in accordance with opinion.

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

August Term, 1994

Docket Nos. 94-7500L, 94-7542XAP

Filed June 29, 1995

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 29th day of June, one thousand nine hundred and ninety-five.

Present:

Hon. James L. Oakes
Hon. Richard J. Cardamone
Hon. Ralph K. Winter
Circuit Judges.

Playboy Enterprises, Inc. and
Special Editions, Ltd.,

Plaintiffs-Counter-Defendants,
Appellants-Cross-Appellees,

v.

Jennifer Dumas and Jennifer
Dumas, Inc.,

Defendants-Counter-Claimants,
Appellees-Cross-Appellants.

ORDER

This order serves to modify this panel's opinion filed in this case on May 5, 1995.

In the last sentence of section II(A)(2) which begins, "Accordingly, the case must be remanded to the district court," we replace the phrase "agents authorized" with "agents with actual authority."

And, after the above sentence we add the following:

We note that the parties have stipulated that the first 64 checks bearing Legend B were not, in fact, endorsed by Nagel.

SO ORDERED.

/s/ Judge James L. Oakes

/s/ Judge Ralph K. Winter

/s/ Judge Richard J. Cardamone

Circuit Judges

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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PLAYBOY ENTERPRISES, INC., and
SPECIAL EDITIONS, LTD.,

Plaintiffs,

- against -

JENNIFER DUMAS and
JENNIFER DUMAS, INC.,

Defendants.

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91 Civ. 6268
(CHT)

OPINION
and
ORDER

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TENNEY, J.

Plaintiffs Playboy Enterprises, Inc. ("PEI") and Special Editions, Ltd. ("SEL") are Delaware corporations having their principal places of business in Chicago, Illinois (hereinafter, collectively "Playboy"). They bring this action seeking a declaratory judgment that PEI is the sole owner of all right, title, and interest in all copyrights of approximately 285 works of art created by Patrick Nagel which appeared in PEI's publication, *Playboy*, between 1974 and 1984. SEL is a wholly owned subsidiary of PEI to which PEI has transferred its rights, if any, in the Nagel works. Defendant Jennifer Dumas, a New York citizen, is Nagel's widow. Defendant Jennifer Dumas, Inc. ("JDI"), is a California corporation with its principal place of business in New York City since 1986. Dumas controls and licenses the uses of the copyrights and related ownership rights that she obtained in Nagel's artworks upon his death through JDI (hereinafter, collectively "Dumas" unless otherwise specified). Dumas assigned all of her copyrights in Nagel's works to JDI in 1988. Defendants have brought counterclaims alleging copyright infringement, unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and reasonable attorney's fees under the United States Copyright and Trademark Acts. This court has jurisdiction over the action pursuant to 28 U.S.C. §§ 1331, 1332, and 1338(a). For the reasons set forth below, plaintiffs' claim for a declaratory judgment is dismissed; defendants' counterclaim for infringement is granted with defendants being awarded $42,357.95; defendants' counterclaim under the Lanham Act is dismissed; and defendants are awarded attorneys' fees for preparation of the copyright infringement counterclaim.

BACKGROUND

Patrick Nagel was a successful freelance artist whose main body of work consisted of acrylic paintings on either illustration board or canvas. In 1974, Nagel began producing pieces of art for *Playboy* magazine. Over the following years, until his death in 1984, Nagel produced approximately 300 works

that appeared in the magazine. In producing these works, Nagel used his own equipment, tools, and materials; he worked in his own studio, on days and at times of his choosing; he hired his own assistants to work for him in the studio. At no time did PEI withhold income tax or pay Nagel employee benefits. Pre-trial Memorandum dated April 9, 1993, Stipulated Facts (hereinefter "PTM Stip. F.") ¶¶ 49-53. Throughout his career, he produced art for a variety of other businesses including American Express and Bank of America. *Id.* at ¶ 18. He also painted privately commissioned works and exhibited his work in galleries. These activities took place while he was producing works that appeared in *Playboy*.

The exact nature of the work relationship between Nagel and Playboy is disputed. The parties have stipulated that "Nagel accepted assignments from *Playboy*, created illustrations, and delivered them to [Playboy]. . . ." *Id.* at ¶ 34. Plaintiffs believe this fact should be read conjunctively, *i.e.*, that upon receipt of an assignment, Nagel created a specific illustration. Defendants argue that, for the most part, Nagel usually created artworks within general parameters which Playboy then bought as final works for publication in its magazine. The court discusses the relationship at length, *infra* at pp. 63a-64a. What is clear is that Nagel accepted some specific assignments, at least until 1976. However, as time went on, he was given greater freedom to submit the paintings he wanted, which apparently matched what Playboy was interested in publishing. At least one work by Nagel appeared in every issue of *Playboy* from August 1975 until July 1984. (Pl. Exh. 22; Def. Exh. A).

From the outset, Playboy kept all of the original artwork that was created for and delivered to it by contributors. PTM Stip. F. ¶ 25. By 1977, Playboy had amassed more than 4,000 pieces of art. Tr. 238. Because of space considerations, Playboy adopted a new policy, effective April 1, 1977, of returning the original works to the contributors. Tr. 124-25; PTM Stip. F. ¶ 26. On the back of each work returned to Nagel after April 1977 was a stamped legend in capital letters:

PLAYBOY'S ARTWORK
REPRODUCTION
PROHIBITED WITHOUT
PLAYBOY'S PERMISSION

PTM Stip. ¶ 66.

During the decade-long relationship with Nagel, Playboy issued approximately 258 checks for his works. Playboy issued a check for a particular painting after it had received the work from Nagel. *Id.* at ¶ 33. Each check bore a legend-endorsement, although there were three different endorsements in use over the period in question.[1] These checks were

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[1] Between 1974 and approximately July 1979, during which time over 104 checks were issued, the legend-endorsement [hereinafter "Legend A"] read:

> Any alteration of this legend agreement voids this check. By endorsement of this check, payee acknowledges payment in full for the assignment to Playboy Enterprises, Inc. of all right, title, and interest in and to the following items: [a description followed]

For the period between September 1979 and approximately March 1981, when roughly 60 checks were issued to Nagel by Playboy, the legend agreement [hereinafter "Legend B"] read:

> Any alteration of this legend agreement voids this check. BY ENDORSEMENT, PAYEE: acknowledges payment in full for services rendered on a work-made-for-hire basis in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc., of all right, title and interest (except physical possession), including all rights of copyright, in and to the Work.

Finally, between March 1981 and May 1984, when approximately 94 checks were issued by Playboy for Nagel's contributions, the legend-endorsement on the back [hereinafter "Legend C"] read:

> Any alteration of this legend agreement voids this check. IT CONTAINS THE ENTIRE UNDERSTANDING OF THE

(Footnote continued)

endorsed and deposited by Nagel himself, his bank, his corporation, or his accountant.[2] These endorsed checks constitute the only writing signed by Nagel or his artist's representative or accountant relating to Playboy's ownership of the copyrights in the works produced for *Playboy*. *Id.* at ¶ 32.

Between 1974 and 1984, Playboy paid artists for works created for use in its magazine on a scale that varied according to the size of the reproduction of the work: $250 per spot illustration; $800 per full page illustration; and $1,200 per double page spread. *Id.* at ¶¶ 35-36. *Playboy* magazine's art director, Tom Staebler, indicated that an "honorarium" was also sometimes paid when a work was republished. Tr. 123, 272-73.

Nagel also took steps to market his other artwork, some of it similar to the work appearing in *Playboy*.[3] In 1977, Nagel and Mirage Editions, Inc. ("Mirage") entered into an agreement providing for the publication and marketing of limited editions of reproductions of certain Nagel paintings. Between

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PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITING SIGNED BY BOTH PARTIES. BY ENDORSEMENT, PAYEE: acknowledges payment in full for the services rendered on a work-made-for-hire basis in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc. of all right, title, and interest (except physical possession), including all right of copyright, in and to the Work.

[2] For the period up to December 1977, some checks were also endorsed by Joel Harlib, Nagel's artist representative. Harlib also did business under the names Harlib & Assoc. and The Art Factory. PTM Stip. F. ¶ 38.

Twice in 1981, the checks were endorsed by both Nagel and Dumas. *Id.* at ¶ 46.

[3] Nagel occasionally created and delivered works to Playboy that were substantially similar to contemporaneously prepared works that were not delivered. In these instances, he did not attach a copyright notice to the works delivered to Playboy, but did attach a copyright notice in his name on the versions he did not deliver. PTM Stip. F. ¶ 69.

1984 and 1990, the Nagel fine art reproductions and posters published and sold by Mirage generated $21 million in sales revenues; $22 million in sales revenues were generated in 1991 and 1992. *Id.* at ¶¶ 29-30.

In 1989, Dumas and JDI entered into agreements with third parties granting those parties the right to reproduce certain Nagel artworks of which the plaintiffs now claim to be the copyright owners. Plaintiffs brought an action claiming copyright infringement by Dumas and JDI in the United States District Court for the Northern District of Illinois. That action was settled when the parties entered into an agreement which they refer to as the Nagel Studio Partnership Agreement ("NSPA"), effective January 1, 1990. Conflicting claims of ownership were to be put aside for the term of the partnership and the litigation was terminated with prejudice with regard to the claims of infringement. *Id.* at ¶¶ 62-63. The NSPA provided each partner with a specified percentage interest in the income of the partnership from the exploitation of all of Nagel's work. However, the partnership was short-lived and was mutually terminated effective June 1, 1991. *Id.* at ¶¶ 64-65.

Playboy brought suit seeking a declaratory judgment in this court in September 1991. In June 1992, Playboy began marketing a collection of five silk screen reproductions and five offset productions of artwork created by Nagel under the name "The Playboy Collection by Patrick Nagel" (the "Collection"). *Id.* at ¶10. The silk screens range in retail price between $95 and $175 per work; the offsets are all priced at $30. *Id.* at ¶ 71. The works represented in the Collection were all originally created for inclusion in *Playboy* and all were created after 1978. Neither defendant gave authorization or consent for use of the works in the Collection. In October 1992, defendants filed an amended counterclaim for copyright infringement of the Nagel artworks reproduced in the Collection. Plaintiffs have conceded that if Dumas or JDI owns the rights in the 10 works comprising the Collection, and if Nagel did not grant Playboy the right to publish such reproductions, then plaintiffs' conduct constitutes infringement of defendants' copyrights. *Id.* at ¶74.

DISCUSSION

Plaintiff asserts that the copyrights in question were transferred to Playboy, or, in the alternative, that the works were "works made for hire", thereby giving Playboy the copyrights outright. The analysis of these claims varies depending on whether the works in question were created or allegedly transferred subsequent to January 1, 1978, the date upon which the Copyright Act of 1976 ("1976 Act") took effect. All works created or transferred prior to that date are governed by the Copyright Act of 1909 ("1909 Act"). Because the works in question were created between 1974 and 1984, the court must review both theories of ownership under both Acts.

I. TRANSFER

A. Transfer under the 1909 Act

The 1909 Act did not protect unpublished works, but left that protection to the common law of the states. 17 U.S.C. § 2 (1976) (repealed). Thus for works created prior to 1978, there exist separate schemes protecting "statutory rights" and "common law rights." In general, transfer of the common law copyright could be oral or inferred from conduct. *Jerry Vogel Music Co. v. Warner Bros., Inc.*, 535 F. Supp. 172, 175 (S.D.N.Y. 1982). Here, the checks with Legend A certainly purport to transfer rights. What has been litigated are what rights were transferred.

The issue of transfer is clouded by the doctrine of "indivisibility" which permeated pre-1978 copyright law. Indivisibility of rights meant that no one right associated with a protected work could be assigned without assigning the other rights. *Goldwyn Pictures Corp. v. Howells Sales Co., Inc.*, 282 F. 9, 11 (2d Cir. 1922). "A transfer of anything less than a totality of a work [was] a license and not an assignment." *International Film Exchange, Ltd. v. Corinth Films, Inc.*, 621 F. Supp. 631 (S.D.N.Y. 1985). This distinction became crucial because of the requirement of the 1909 Act that statutory copyright protection was secured only upon publication with notice. 17 U.S.C. § 9 (1909), *amended as* § 10 (1947)

(repealed 1976).[4] Without such notice, the work generally went into the public domain. The rationale for this rule was to limit multiple infringement actions. *New Fiction Pub. Co. v. Star Co.*, 220 F. 994 (S.D.N.Y. 1915).

The doctrine of indivisibility was severely limited in this circuit by the decision in *Goodis v. United Artists Television, Inc.*, 425 F.2d 397 (2d Cir. 1970). In that case, the court reversed the district court which had granted summary judgment upon the ground that the work at issue had fallen into the public domain when first publication with notice came after the author had sold the motion picture rights to a third party. The circuit court first described the distinction between "applying the indivisibility doctrine to cases where the issue is standing to sue for infringement and cases where the issue is protection of the author's interest." *Id.* at 401. The circuit court then found that a partial assignment was a sufficient

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[4] Professor Nimmer provides an apt example of the difficulty raised by indivisibility in the context of contributions to collective works:

> Perhaps the most serious consequence of the doctrine of indivisibility occurred by reason of the rule that statutory copyright in a theretofore unregistered work was obtained by publication bearing a copyright notice in the name of the copyright owner. The problem thereby raised was felt most acutely and can best be illustrated in the field of magazine rights. If an author of an unpublished (and unregistered) manuscript granted to a magazine publisher the right to reproduce the work in magazine form, but reserved all other rights . . . then . . . the publisher would be merely a licensee, and not the proprietor of the work. Therefore, if, as was and is usually the case, the magazine carried a notice only in the name of the magazine publisher without a separate notice in the name of the contributing author, applying the doctrine of indivisibility the result was that the author's work was published without a valid notice in the name of the work's "proprietor" and it was consequently injected into the public domain.

Nimmer on Copyright, § 10.01[C][2], pp. 10-13-14.

means of obtaining copyright and providing adequate notice to the public under the 1909 Act. *Id.* at 403.

The present case must be examined against this background. Playboy asserts that its course of conduct with Nagel, the check endorsements, and the fact that *Playboy* kept possession of the original works until April 1977, make clear that a full transfer of rights took place.[5] Plaintiff relies heavily on *Geisel v. Poynter Products, Inc.*, 295 F. Supp. 331 (S.D.N.Y. 1968). In that case, an author sought to prevent the creation and distribution of a doll based on cartoons he had sold to a magazine in 1932 as a freelance contribution. The agreement to prepare the cartoons was oral and was memorialized by checks of $300 per cartoon with an endorsement agreement on the back of each. Plaintiff there argued that the terms "all rights" and "complete rights" were never mentioned during negotiations and that those terms had limited meanings within the magazine industry applying only to one-time rights. After taking and reviewing extensive testimony on the custom and practice of the magazine industry in the 1930's, the court found: that agreements for sale of works to magazines were customarily oral and not written, *id.* at 336; that plaintiff had

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[5] Playboy also strenuously argues that a stipulated fact disposes of the matter. The parties have agreed:

> It has been the regular and consistent policy and practice of Playboy at all times relevant in this action to seek to acquire from freelance writers, artists and photographers who contribute to *Playboy* magazine all rights, including all copyrights, in their contributions to *Playboy* magazine and to seek to enter into agreements and relationships under which their contributions are considered to be works made for hire under the U.S. copyright laws.

PTM Stip. F. ¶ 23. The court believes the crucial language of this statement is that Playboy *sought to acquire* the rights listed, not that they did acquire the rights under the law or that they communicated their intentions to the artists with whom they were negotiating. Indeed, the latter two issues are factual determinations that are at the center of this case.

failed to prove that the terms "all rights" and "complete rights" had any meaning in the industry beyond their literal meaning, *id.* at 341; and that the scope of rights purchased by a magazine was customarily set forth in a legend on the check sent to the author or the author's agent, *id.* at 343.

Although there are appreciable parallels to the present case, this court will not follow the conclusions of *Geisel*. First, that case is grounded on facts determined by evidence and witnesses not before this court. Second, the court in *Geisel* explicitly limited testimony regarding industry custom to the period of 1928 to 1935. *Id.* at 341 n.6. It accordingly limited all of its factual rulings to the customs in 1932. *Id. passim.*[6] Finally, the court had to contend with the doctrine of indivisibility before the *Goodis* decision. The court in *Geisel* relied

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[6] While referring to the custom of memorializing oral agreements between authors and magazine publishers in a truncated form on a check legend, the court in *Geisel* did note that there was "evidence that the same practice continues today." *Id.* at 343 n. 10. In its papers, Playboy argues that this footnote along with the testimony of the expert witnesses in this case indicates that the *Geisel* conclusion about the validity of check endorsements as a custom of the magazine industry (and other *Geisel* court conclusions) remained in effect for the entire period before January 1, 1978. As is discussed below, both experts in this case as well as a few of the experts in *Geisel* indicated that check legends were used to memorialize pre-existing oral agreements; the problem in this case is discerning the terms of the oral agreements here. *See* Tr. 169 (no written agreement existed between Playboy and Nagel).

The relevance of the *Geisel* factual conclusions are also debatable in light of subsequent cases dealing with magazine industry customs after 1932. In *Abend v. MCA, Inc.*, 863 F.2d 1465 (9th Cir. 1988), *aff'd on other grounds sub. nom. Stewart v. Abend*, 495 U.S. 207 (1990), an author had made a conveyance of his publication rights in a short story. The magazine subsequently reassigned any rights it had in the story except the right of magazine publication to the author. The circuit court concluded, "the evidence showed that the custom and practice of the time was for authors to convey to publishers only the right to publish the authors' stories in magazines in North America. All other rights were generally retained by the author. . . . [T]his practice was standard. . ." *Id.* at 1469.

on the district court decision in *Goodis*[7] to conclude that if all rights in the cartoons had not been assigned to the defendant, then the works had fallen into the public domain. Thus, the court analyzed the plaintiff's claim as if the copyright had been assigned to the publisher, but held in trust for the equitable owner, *i.e.*, the author. *Id.* at 337 (relying on *Bisel v. Ladner*, 1 F.2d 436 (3rd Cir. 1924) (question of true ownership of copyright held in trust is one of fact)); *Jerry Vogel Music Co.*, 535 F. Supp. at 174-75 (author's widow had right to authorize a derivative work as a result of a trust despite the fact that publisher did not transfer the copyright until nine years later). The court in Geisel was not at liberty to contemplate the scenario where the author had transferred only limited publication rights, which is exactly the argument that Dumas makes here.

Turning to examine industry practice, the court looks primarily to the expert testimony offered at trial. Plaintiffs called Victor Kovner, an attorney who has an established practice representing the publishing industry, including the magazine industry. He served as Corporation Counsel for the City of New York during 1990 and 1991. In addition, he has served on the Legal Affairs Committee of the Magazine Publishers Association, on the advisory board of the Media Law Reporter, and the Lawyers Committee of the Association of American Publishers. The court gives his testimony weight, but notes that much of Kovner's work in the publishing field has dealt with topics outside of the copyright realm, with his specialty appearing to be privacy. Even when working on copyright issues, he has focused more on fair use questions and misappropriation than on transfers and work for hire issues. Furthermore, he has limited experience in negotiating with creators, artist representatives, and agents. Tr. 374-77.

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[7] *Goodis v. United Artists Television, Inc.*, 278 F. Supp. 122, 125 (S.D.N.Y. 1968), *rev'd* 425 F.2d 397 (2d Cir. 1970).

Defendants presented the testimony of E. Gabriel Perle. Perle has had a distinguished career in the law of copyright, particularly with regard to the field of magazine publishing. Between 1956 and 1985 he worked for Time Inc. serving as Assistant General Attorney and ultimately becoming Corporate Vice President–Law, where he oversaw the publishing and business ends of Time Inc. publications. In 1986, he returned to private practice where he continues to practice publishing copyright and communications law. He testified before Congressional committees on behalf of magazine publishers during the drafting of the 1976 Act. He has twice been chair of the copyright and trademark section of the American Bar Association, has lectured extensively, was appointed by President Gerald Ford to be a commissioner of the National Commission On New Technological Uses of Copyrighted Works, and has co-authored a Publishing Law Handbook. He has also drafted hundreds of contracts between magazines and creators, artist representatives, and agents. Tr. 511. The court finds that Perle is eminently qualified to testify in the area of magazine copyright and gives his testimony great weight.

Perle testified that the custom in the consumer magazine industry (mass circulation magazines such as *Time* and *Playboy*) between 1974 and 1984 was to acquire limited rights in contributions from its freelance contributors, often referred to as "one-time" rights. These rights included the privilege of reproducing and distributing the contribution as part of the collective work, any revision of the collective work, and any later work in the same series. Tr. 552-54, 558. These rights were codified as the rights available to publishers of collected works under 17 U.S.C. § 201(c). When a magazine sought to acquire more than one-time rights, the author and the publisher would negotiate and expressly agree to the terms of the transfer; without such an agreement, the magazine obtained only limited rights. Tr. 552-54, 558.[8]

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[8] With regard to Section 201(c) the House Report of the Copyright Act of 1976, No. 94-1476, issued prior to implementation of the 1976 Act,

(Footnote continued)

Testimony from both sides indicates that check endorsements were frequently used within the industry to verify the terms of the pre-existing agreements. Tr. 415, 537. The use of the check endorsement alone, however, was not well regarded within the industry. Perle testified that the use of a check endorsement without a pre-existing written agreement, or certainly without an oral agreement, were "outrageous subterfuges." Tr. 544. Kovner acknowledged that he knew of no "reputable publisher who should use a legend agreement unless to confirm a prior express oral agreement as to the terms. Use of it in the first instance without any prior understanding is inappropriate at the bare minimum." Tr. 399. He also could identify no magazine that would attempt to acquire rights by a check endorsement without a prior oral agreement.

Perle testified that before January 1, 1978, industry custom was to hold the freelance contributor's copyright in trust, and reassign the copyright either out of due course or on request. Tr. 730-31. Kovner agreed that this was a common practice, although he believed that some magazines did not follow it. Tr. 397. However, he was unable to identify any particular publication that did not follow the custom.

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indicated that sections 201(c) and 404 preserve the author's copyright in a work first appearing in a collective work even if the individual contribution does not bear a separate copyright mark:

> This is coupled with a presumption that, unless there has been an express transfer of more, the owner of the collective work acquires "only the privilege of reproducing and distributing the contribution as a part of that particular collective work, any revision of that collective work, and any later collective work in the same series."
>
> The basic presumption of section 201(c) *is fully consistent with present law and practice*, and represents a fair balancing of equities.

House Report of the Copyright Act of 1976, No. 94-1476, at 122 (emphasis added).

In light of this testimony, Playboy relies on one other case to establish custom. *Franklin Mint Corp. v. Nat'l Wildlife Art Exchange Inc.*, 195 U.S.P.Q. 31 (E.D. Pa. 1977), *aff'd* 575 F.2d 62 (3d Cir.), *cert. denied*, 439 U.S. 880 (1978), in relevant part, concerned a check for $1,500 issued with the legend "For Cardinal painting 20 X 24 including all rights - reproduction, etc." Despite the artist's testimony that he intended to reserve copyrights in himself, the court concluded that all copyrights had passed to the purchaser. *Id.* at 36. However, the *Franklin* court relied on a presumption which is inapplicable here: "Except in California and New York, it is generally accepted that purchase of art includes all rights to copyright unless otherwise specified." *Id.* (citing *Nimmer on Copyright*, 541 (1976 ed.)). As is discussed below, the law that is applicable is the law of California. *Franklin Mint*, then, suggests that the presumption of transfer is contrary in this case to the position that Playboy holds.[9]

Based on the evidence before it, the court therefore concludes that between 1974 and 1978, the custom and practice in the magazine industry was to acquire one-time rights, unless explicitly stated otherwise. Thus any transfer would be thought to transfer the rights in an unpublished work such that the magazine would secure publication with notice in the work, and then transfer the rights in the work back to the author upon request. All that a check endorsement did was confirm a prior existing agreement, whether written or oral. In this case, Playboy introduced no credible evidence as to any existing prior agreement. Staebler testified that art directors at Playboy routinely informed the artists that they hired on a freelance basis that Playboy intended to acquire all copyrights in the works produced. Tr. 51. However, Staebler could confirm no such conversation with Nagel about a specific work; indeed, he did not have contact with Nagel until 1977. Tr.

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[9] The court is also unpersuaded by the general commentary on copyright by the *Franklin Mint* court, in that the court there was not confronting the more particularized use of a work in a collective work.

199. Furthermore, Staebler could only testify to two conversations that he had with Nagel in which copyright was discussed. Aside from the hearsay problems with the testimony, both conversations were in general terms, not relating to a specific work. Tr. 194-95. The first was in "the late 70s," presumably negating its relevance to works covered by the 1909 Act. The second discussion occurred over drinks when Nagel was melancholy and talking "jokingly." Tr. 211. In neither of these conversations did Nagel have legal representation, nor were actual negotiations undertaken. Tr. 207-08. On the basis of this thin evidence, the court cannot determine that copyright was ever explicitly discussed with Nagel prior to the creation of one of his pieces. Nor can the outline of any agreement be gleaned.[10]

Even if the court were to find the terms of the agreement simply on the basis of Legend A, there is credible evidence that the terms there are ambiguous. The Legend purports to transfer "all right, title, and interest" to the "items" that follow. The problem with this language is that under both the 1909 and 1976 Acts, there is a distinction between ownership of the copyrighted work and ownership of the material object in which the work is fixed. Thus, the reference to the "item" can be read to imply the material object. Perle found the Legend inherently ambiguous on this basis. Tr. 564-566. Kovner did not read the Legend to transfer ownership of the material object, but conceded that better draftsmanship would clear up possible confusion Tr. 360-61, 399. The inference of confu-

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[10] The amount paid for the works by Playboy also suggests that all rights including copyright were not being purchased. The parties have stipulated to the price scale for the works produced. *See supra* p. 43a. As the court in *Geisel* noted, "the price paid may be a circumstance probative of the scope of the rights purchased. . ." *Geisel*, 295 F. Supp. at 339. Perle testified that during the applicable period, one-time use for spot illustrations in *Fortune* was $250-$300, which was on the low end of the scale. Tr. 559-60. Indeed, by the late 1970's Nagel's works were worth substantially more than what he was paid by *Playboy*. Tr. 239. However, Playboy did not change the pay scale, even as Nagel's fame grew. Tr. 237-38.

sion is made stronger in light of Playboy's policy until April of 1977 of retaining the original work. PTM Stip. F. ¶ 25. While the court recognizes that a transfer of some right of publication must have been intended by Nagel, on the record, it is simply unclear what the extent of the transfer was intended to be.

Finally, the exact parameters are unclear of the standard policy that Playboy claims to have communicated to all artist, including Nagel, who produced work for publication. Playboy did not have any internal document that explained what its standard policy was with regard to acquisition of artwork for publication, or how that standard policy was to be executed. Tr. 206. The court is left with no guide as to what that standard policy was, or how it may have changed over the years other than the self-interested testimony of Staebler.

Credible expert testimony as to industry practice, the prices paid for the works by Playboy, the lack of proof of any oral agreements, and Playboy's lack of evidence of any underlying oral negotiations weigh against the conclusion that all rights including copyright were intended to be transferred. Accordingly, the court finds that only one-time rights were transferred to Playboy in the Nagel paintings created prior to January 1, 1978.

B. Applicability of California Statute

Defendants also argue that most of the alleged transfers occurring before 1978 are invalid because of specific protection afforded by state law. California law[11] requires:

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[11] California law applies because Nagel was a citizen of California, living and working there during all times relevant to this litigation. All checks were paid in California. Playboy does substantial business in California. The court therefore applies California law. Neither party has given any indication, after extensive discussions of California law, as to why it would not apply.

> [W]henever a work of fine art is transferred, whether by sale or on commission or otherwise, by or on behalf of the artist who created it . . . the right of reproduction thereof is reserved to such artist . . . until it passes into the public domain by act or operation of law, unless that right is expressly transferred by a document in writing in which reference is made to the specific right of reproduction, signed by the owner of the rights conveyed or that person's duly authorized agent.

Cal. Civ. Code § 982(c) (Deering 1993). Nagel's works are "fine art" as used in the statute, for the term applies "to any work of visual art, including . . . [a] painting . . [or a] work of graphic art. . . ." Cal. Civ. Code § 982(d)(1). The statute provides further guidance that "'Right of reproduction' at the present state of commerce and technology shall be interpreted as including . . . reproduction of works of fine art as prints suitable for framing; . . . [and] reproductions in general books and magazines not devoted primarily to art . . . when such reproductions . . . are used for purposes similar to those of material for which the publishers customarily pay." Cal. Civ. Code § 982(d)(3). This law applies only to transfers on or after January 1, 1976. Cal. Civ. Code § 982(e).

In amending the existing statute, the California Legislature made a finding that technological advances had "created a whole new dimension in the field of fine arts. The traditional concept of a work of fine art as a unique one-of-a-kind creation has been replaced by important new property rights of substantial monetary value based on the reproduction of works of fine art." §2, Cal. Stats. 1975, ch. 952, p. 2128. The Legislature therefore declared that it was "the policy of the state to establish clear guideposts for all parties concerning legal ownership of the right of reproduction of works of fine art." *Id.*

Neither the court nor the parties have found any case law construing this statute. Nevertheless, the court finds the language of the statute unequivocal. Upon the transfer of the

work itself, the concomitant transfer of reproduction rights must be express, in writing, with reference to the specific right of reproduction. Legend A, the mechanism by which the plaintiffs claim transfers took place, does not meet the requirements of the statute. The phrase "all right, title, and interest" does not specifically refer to reproduction rights. Indeed, as discussed above, it is unclear from the context whether that phrase indicates rights in the physical work or the rights to the underlying work.

Plaintiffs makes three arguments to overcome the result of application of this statute. Perhaps the strongest is that the phrase "all right, title, and interests" includes reproduction rights. Plaintiffs rely on *Franklin Mint Corp.* and on *Sargent v. American Greetings Corp.*, 588 F. Supp. 912 (N.D. Ohio 1984), for construction of similar legend agreement phrases transferring all rights including reproduction rights. But in the former case, the legend endorsement specifically included "all rights-reproduction." *Franklin Mint*, 195 U.S.P.Q. at 36. In the latter case, the check endorsement involved only "the exclusive right to publish," and thus, after distinguishing *Franklin Mint*, the district court denied a motion for summary judgment because the legend language along with contracts between the parties left a question of material fact as to the parties' intent concerning copyright ownership. *Sargent*, 588 F. Supp. at 923. *Geisel*'s interpretation of such language is also inapposite here because the California Legislature has decided on what constitutes "clear guideposts" to the rights of reproduction of works -- namely, an express and specific reference to such rights in the written instrument of transfer.

Plaintiffs' second argument is that the parties have stipulated that after April 1977, Playboy no longer acquired any ownership rights in the works submitted to it, and thus there were no transfers of the works of fine art subject to the statute. The stipulated fact to which they refer states only that "Effective April 1, 1977, Playboy adopted a new policy whereby it returned the original renditions of such works received thereafter to the contributors thereof." PTM Stip. F. ¶ 26. There is no indication in the statement that Playboy in-

tended specifically to give up alleged ownership. Indeed, Legends B and C, which supposedly reflect the change in policy, excepts the right of physical possession of the artwork, not the ownership of the artwork. However, possession is not ownership. Plaintiffs' position is also belied by the stamp on the back of the returned artwork that declares "PLAYBOY'S ARTWORK/ REPRODUCTION/PROHIBITED WITHOUT/ PLAYBOY'S PERMISSION." The implication of the possessive noun in the statement cannot be ignored.

Finally, plaintiffs make the strained argument that because Nagel obviously transferred "magazine rights" or "one-time rights" at a minimum, then those rights are "reproduction rights" which in turn means that the parties deemed their agreement in compliance with the statute. Therefore, argue the plaintiffs, the defendants are now estopped seventeen years later from asserting that the transfers were invalid. Aside from the tortured logic of this position, there is no evidence to support what the parties "deemed" in regard to the statute. The court therefore concludes that because Legend A fails to specify rights of reproduction that were to be transferred with the alleged transfer of ownership of the Nagel works of fine art, those transfers were invalid under § 982(c).

C. Transfer under the 1976 Act

The court now turns to the validity of the transfers under the 1976 Act. "A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent." 17 U.S.C. § 204(a).[12]

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[12] Defendants make the argument that the California "equal dignities rule" bars most of the check endorsements from constituting valid transfers. That rule provides, "[A]n oral authorization is sufficient for any purpose, except that an authority to enter into a contract required by law to be in writing can only be given by an instrument in writing." Cal. Civ. Code § 2309 (Deering 1993). Dumas claims that because there are no such in-

(Footnote continued)

Defendants assert that the writing requirement of § 204(a) is not met by the check legends for a variety of reasons. For those works governed by Legend A, between January 1, 1978 and approximately April 1979, as the court discussed above, the language is ambiguous. No mention is made of copyright. All right, title and interest are in the "item." Because ownership of copyright in a work is distinct from ownership of the material object, 17 U.S.C. § 202, there is no clear way to tell to what the parties intended by their agreement. Indeed, the writing is the only evidence of the agreement, as Playboy offered no evidence of any oral negotiation or understanding between it and Nagel. Without the understanding of the author

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struments between Nagel and his agents, any alleged transfer after January 1, 1978, other than one signed by Nagel, is invalid. The court rejects this argument because the explicit language of § 204(a) of the 1976 Act requires only that "an instrument of conveyance, or a note, or a memorandum of the transfer" be in writing. A valid written contract satisfies the writing requirement of § 204(a). *Cf. Frost Belt Intern'l v. Cold Chillin' Records*, 758 F. Supp. 131, 138 (S.D.N.Y. 1990). However, a contract transferring copyright is not "required by law" to be in writing so long as there is a sufficient writing memorializing the contract after its formation. *See Eden Toys Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 36 (2d Cir. 1982) (writing memorializing oral license did not need to be made at time when the license was initiated; requirement of statute is satisfied by later execution of a writing confirming the agreement); *see also Mellencamp v. Riva Music, Ltd.*, 698 F. Supp. 1154, 1162 (S.D.N.Y. 1988) (contract to transfer copyright cannot be enforced without a writing).

Defendants also make the argument because California Civil Code § 982(c) requires a writing for transfer of reproduction rights when the art itself is transferred, § 2309 therefore applies to any transfer after January 1, 1976 (the date of effect for § 982(c)). The court rejects this argument on similar grounds, noting that the specific language of § 982(c) requires only a writing for a transfer and not a contract. *See infra* pp. 54a-57a. This conclusion is verified by a provision within the statute that provides, "[i]f the transfer is pursuant to a legacy or inheritance, the right of reproduction is transferred to the legatee or heir, unless it is expressly reserved by will or codicil." Cal. Civ. Code § 982(c). Such a provision further negates defendants' argument of a contractual requirement under § 982 (c).

and the transferee specifically committed to writing, the transfer cannot be valid.

Nor is the language of the legend dispositive. In *Davenport Quigley Expedition, Inc. v. Century Productions Inc.*, 18 F. Supp. 974 (S.D.N.Y. 1937), the court concluded that the plaintiff could not maintain a suit for infringement when he had purchased a film and copyright in it from a person who had been sold the film by a bill of sale where the author "bargained, sold granted and conveyed . . . all my right title and interest in and to a certain negative of motion picture film dealing with animal study in Africa . . . , and also one positive of the same negative film." The court was compelled to so hold because the language of the bill of sale did not by implication assign copyright, and the plaintiff had failed to prove a valid copyright in itself. *Id.* at 977. *See Cassway v. Chelsea Historic Properties*, 1993 (CCH) Copyright Law Decisions ¶ 27,071 (E.D. Pa. 1993) (ownership of property does not entail ownership of copyright) .

Plaintiffs cite *Effects Associates, Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990) for the proposition that the writing required "doesn't have to be the Magna Charta; a one-line pro forma statement will do." *Id.* at 557. Without passing on the wisdom of this view of section 204, the court believes that the view expressed in *Effects Associates*, that did not deal with any writing at all, is predicated on the fact that the terms of the pro forma statement are clear. Where they are not clear, there should be evidence of the oral agreement which the one-line written statement memorializes. Here, however, there is no parol evidence other that Playboy's assertions to help guide the court as to the meaning intended by the Legend A endorsements.

Plaintiffs also rely on *Kenbrooke Fabrics, Inc. v. Soho Fashions, Inc.*, 690 F. Supp. 298 (S.D.N.Y. 1988). In that decision, the court denied a motion by defendants for summary judgment on a copyright infringement claim. The court found that two writings "may well fulfill the statutory requirement" of section 204. *Id.* at 300. One writing was a letter that stated

in full, "Please use this letter as a letter of authorization to transfer ownership of all screens holding at Craft for the following: Soptra Fabrics/ Loomskill Inc./ Couleur Inc./ to the account of Kenbrooke Fabrics Inc." The court held that if the author of the letter were found to be the "duly authorized agent" of the owner of the screens, then the letter would satisfy the statute. *Id.* at 301.[13] The court also concluded that even if section 204 had not been complied with, a third party infringer could not invoke the statutory requirement against a licensee, which the court thought might have been the case. However, after a bench trial, the court concluded that the above writing did not transfer copyright, but only ownership in the screens, despite the fact that there would be marginal value to the screens without exclusive use to reproduce the underlying patterns on the screens. The court based its decision in part on the fact that plaintiffs could offer no evidence that ownership of copyright, which was not mentioned in the letter, was mentioned in the negotiations which the letter memorialized. *Kenbrooke Fabrics Inc. v. Soho Fashions Inc.*, 13 U.S.P.Q.2d 1472, 1474 (S.D.N.Y. 1989). Thus, if this court is to be guided at all by *Kenbrooke*, the decisions taken together suggest that unless there is evidence of an intention to transfer copyright, a writing merely reciting transfer of an object will not transfer the copyright.

Playboy also relies heavily on *Dean v. Burrows*, 732 F. Supp. 816 (E.D. Tenn. 1989). There the plaintiff sought to buy the molds and the copyrights in a variety of pig sculptures owned by the defendant. The defendants were paid $500 for transferring of the copyrights and the molds by a check with a notation on its face that the check was for "mold designs and molds." The court held that the check complied with section 204. In the next sentence, the court pointed out that the

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[13] The parties have argued extensively about whether the majority of the checks were signed by one of Nagel's "duly authorized agents." However, given the courts disposition that no transfers occurred, the question of the authority of Nagel's agents need not be addressed.

transfer occurred in March, 1984 (the month the check was issued), and that a written transfer agreement was prepared in the same month that was subsequently recorded in the Copyright Office. Although the court there was concerned primarily with whether a copyright notice was detective under 17 U.S.C. § 406(b), its comments on section 204 in light of the evidence of oral negotiations and a written agreement do not help Playboy. This court understands the court in *Dean* to suggest that the check endorsement was sufficient as a writing because its meaning could be determined, if not on its face, by the evidence of the agreement which it memorialized. As has been pointed out, there is no such evidence in this case.

The court also notes that there is no language of present transfer in Legend A. Staebler testified that there were no other oral or written agreements with Nagel obligating either party beyond a pending assignment. Tr. 169. Thus the question of when the transfer occurred adds to the ambiguity of Legend A. The language of the Legend acknowledges transfer; but it is unclear whether the transfer occurred with possession of the material object, with the payment of the check, with the endorsement of the check, or at some other time. Defendants introduced other forms using check legends and assignment forms used by Playboy that indicated a point of transfer. Def. Exh. T, U, AJ. However, there is no indication why such language was not used here. Given the lack of evidence surrounding the agreements said to underlie checks bearing Legend A, the court therefore concludes that Legend A was insufficient, by itself, to transfer copyright ownership in any of the Nagel works.

Legends B and C present different problems. There is no mention in them of assignment, transfer, or license. Rather, the Legends explicitly refer to "work-made-for-hire." At other points in the litigation, plaintiffs have urged that the court be guided by the principle that in construing terms of an agreement, "words are to be given their ordinary meaning." Pl. Post-Tr. Mem. at 17 (quoting *Kemelhor v. Penthouse Intern., Ltd.*, 689 F. Supp.. 205, 212 (S.D.N.Y. 1988), *aff'd* 873 F.2d 1435 (2d Cir. 1989); Pl. Post-Tr. Mem. at 22-23 (quoting

Metropolitan Life Insurance Co. v. RJR Nabisco, Inc., 906 F.2d 884, 889 (2d Cir. 1990)). The court believes this principle to be applicable in the present case. Playboy, alone, selected the work made for hire language, and thus must succeed or fail on the basis of that draftsmanship. Where the party who drafted the language of an endorsement that provides the only evidence of any agreement explicitly chooses one mechanism of acquisition, there is no reason to supply that party with a secondary position in case the first fails. The policy underlying section 204 and all written agreements is that a writing "prevents misunderstanding by spelling out the terms of a deal in black and white, forces parties to clarify their thinking and consider problems that potentially could arise . . . ." *Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990). This is not to say that language safeguarding copyright acquisition cannot take the form of both work made for hire and transfer. At trial, Perle credibly testified that it is common in the magazine industry for a publisher to obtain rights from a freelance contributor by an agreement with "two strings to the contractual bow." Tr. 570. In these agreements, the recitation is that the work be considered a work made for hire, but if the work is in fact not a work made for hire, then the author by his or her signature thereby transfers and assigns any right, title, and interest in the work, and any copyright therein, effective the date of the creation of the work. Def. Exh. CL. Playboy did not exercise this option. Legends B and C refer exclusively to work made for hire principles. There is no indication of an intention to transfer anything at all under Legends B and C. Accordingly, the court will judge the Nagel works created once Playboy began using Legends B and C only as to whether they can properly be considered works made for hire.[14]

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[14] Because of this disposition of transfers under the 1976 Act, the court declines to reach the question of whether California Civil Code § 982(c) applies to transfers after January 1, 1978, or whether that statute is preempted by 17 U.S.C. § 301.

II. WORKS MADE FOR HIRE

In order to address the issue of commissioned works under the work made for hire doctrine, the relationship between Playboy and Nagel must first be understood. Staebler testified that while there were subjects which would not have been accepted by Playboy in the Nagel works, apparently no Nagel work was ever rejected outright. Tr. 241. Hugh Hefner, *Playboy*'s founder and editor-in-chief, has written that

> At first, we asked [Nagel] to illustrate a particular letter to the 'Advisor' every month, but soon it was clear that trying to funnel such a large talent so narrowly was like telling Irwin Shaw or Ray Bradbury what to write about. We asked him simply to give us a painting a month. As it turned out, the painting he gave us invariably illuminated one, two, three or all of that month's 'Advisor' letters in a way no commissioned illustration ever had.

Def. Ex. BX, p 16. Similarly, at trial, Staebler testified that for the first three or four years of the relationship Nagel received guidance, but after that the "subject matter was the same every month. It was just a matter of how it was composed and so on." Tr. 241. No one at Playboy could testify which of the works were done free of specific instruction. Tr. 243.[15]

Staebler did testify that Hefner and he had helped Nagel to "change the basic look" of his stylized drawings which were "a natural extension of the Vargas girl." Tr. 167-68. But there was no indication of what form this help took or when the advice ceased to be given.[16] From copies of *Playboy*

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[15] Plaintiffs produced 13 assignment slips that were purportedly sent to Nagel beginning in 1983. Staebler testified that this was due to a magazine wide change in policy. Tr. 251-52. Nagel, however, never signed any of the slips, thus rendering them of little use in establishing a work made for hire relationship under section 101(2) of the 1976 Act.

[16] Staebler did testify that Playboy sometimes asked for changes in the work, Tr. 171-72, but specified no instance when this occurred. Staebler

(Footnote continued)

introduced at trial, it is clear that Nagel was accepting at least some specially commissioned work in December 1976. Pl. Exh. 1d, pp.134-37 (4 page spread illustrating an article entitled "Are You Sexually Liberated Enough to Make It with More Than One Person or Species at the Same Time and If Not, Why Not?" by Barbara Nellis and James R. Peterson ("Nellis article")). However, the work depicted there is not of the same type or style for which Nagel became famous, Tr. 228-30, or that Playboy would later chose to reproduce in the Collection. Pl. Exh. 16; *compare* Pl. Exh. 1d *with* Def. Exh. BW. Indeed, the earliest publication in *Playboy* of a work reproduced by plaintiffs in the Collection was in August 1978, more than a year and half after the Nellis article. From this evidence, the court concludes that Nagel was given specific instructions for his early submissions to Playboy. *See* Pl. Exh. 1b, *Playboy*, April 1974, p. 26 (spot illustration of Lillian Hellman, Nagel's first piece for Playboy). Sometime after January 1977 but before August 1978, Nagel and Playboy fell into a course of conduct whereby Nagel would produce a few works for Playboy expecting them to be published; Playboy, in turn, expected to publish a few of Nagel's works. As Staebler testified, "at some point we told [Nagel] we are going to be running this and it looks like this is going to be a regular feature, but there was no commitment on either part that it couldn't be stopped at any point." Tr. 169. Neither party appears to have tested the boundaries of the other.

A. Work for Hire under the 1909 Act

The 1909 Act allowed that the definition of "'author' shall include an employer in the case of works made for hire." 17 U.S.C. § 26 (1976) (repealed). Because neither "employer" nor "works made for hire" were defined by the Act, the construction of the terms was left to the courts. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 744 (1988)

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also gave deposition testimony about changing the "heaviness" of the line that Nagel used in his work, but that too was unrelated to a specific work. Tr.621. Accordingly, the court does not give this testimony weight.

(*"CCNV"*). With regard to commissioned works, it was generally presumed "that the patron desires to control the publication of copies and that the artist consents that he may, unless by terms of the contract, express or implicit, the artist has reserved the copyright to himself." *Yardley v. Houghton Mifflin Co.*, 108 F.2d 28 (2d Cir. 1939), *cert. denied*, 309 U.S. 686 (1940). Not until 1966, after the work for hire provisions of the 1976 Act had been negotiated and drafted substantially into the form in which they would be codified, did "a federal court for the first time appl[y] the work for hire doctrine to commissioned works." *CCNV*, 490 U.S. at 749 (citing *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 567-68 (2d Cir. 1966)). As developed in the Second Circuit, the "doctrine is applicable only when the employee's work is produced at the instance and expense of the employer, [*Brattleboro Publishing Co.* 369 F.2d at 567], or, in other words, when the '"motivating factor in producing the work was the employer who induced the creation. . ."'" *Siegel v. National Periodical Publications, Inc.*, 508 F.2d 909, 914 (2d Cir. 1974), *cert. denied*, 409 U.S. 997 (1972)) (citations omitted).

The presumption of the copyright ownership residing in the party at whose instance and expense the work had been created can be rebutted by a preponderance of evidence of an agreement to the contrary. *Roth v. Pritikin*, 710 F.2d 934, 937 n.3 (2d Cir.), *cert. denied*, 464 U.S. 961 (1983). One circuit has held that the intent of the parties is "the decisive factor." *Real Estate Data Inc. v. Sidwell Co.*, 809 F.2d 366, 371 (7th Cir. 1987). Other courts have allowed evidence of "prevailing custom and usage" to determine whether the parties intended to contract contrary to presumption under the work made for hire doctrine. *May v. Marganelli-Heumann & Assoc.*, 618 F.2d 1363, 1369 (9th Cir. 1980).[17]

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[17] In allowing such evidence, the court in *May* cited *Avedon v. Exstein*, 141 F. Supp. 278 (S.D.N.Y. 1956), as contrary. In *Avedon*, the court concluded that a photographer who had delivered a photo to an advertising

(Footnote continued)

The court begins by applying the instance and expense test. There is no doubt that Nagel was directed to create at least some of the works that appeared in *Playboy* prior to January 1, 1978. The portrait of Lillian Hellman, the art accompanying the Nellis article, and illustrations for features on travelers' aids (*Playboy*, March 1975) must have been "motivated" or "induced" by Playboy. There is no indication though of any expense incurred in this process that was borne by plaintiffs. As is indicated above, Nagel provided his own tools, worked his own hours, hired his own assistants, and paid his own taxes and benefits. There is no indication that there was any real risk involved for Playboy. Staebler testified that it was general practice to pay artists whose work had been rejected a "turn down" fee of one quarter the price that would have been paid if the piece had been accepted. Tr. 58. However, all of Nagel's work appears to have been accepted. *See* Tr. 169-72. Furthermore, there is no evidence that Nagel knew of this turn down fee. Thus, while it is evident that many of the Nagel works in the pre-1978 period were created at the instance of Playboy, the expense of preparation apparently fell to Nagel.

Even if the instance and expense test were fully met, the court believes other evidence weighs against finding a work made for hire relationship. The court begins by examining the only records of any agreements between Nagel and Playboy concerning works prepared prior to January 1, 1978, *i.e.*, the checks with the Legend A endorsement. The language of the

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agency that had commissioned him could not offer evidence of contrary custom or usage "to oppose or alter a general principle or rule of law." *Id.* at 280 (quoting with approval *Colten v. Jacques Marchias, Inc.*, 61 N.Y.S.2d 269, 271 (N.Y.Mun.Ct. 1946)). However, the court was dealing explicitly with the common law as to commissioned works, not to the work made for hire doctrine of the 1909 Act as applied to commissioned works. Furthermore, as *Brattleboro* and its progeny make clear, the applicable rule of law is that satisfaction of the instance and expense test raises a presumption, not that it guarantees the rights of authorship under the 1909 Act. This court thus concludes that *Avedon* is no bar to considering evidence of custom and usage.

Legend is clear that the agreement is intended to be an "assignment." In other words, the parties used the language of transfer. All parties agree that Playboy sought to obtain all rights of reproduction and ownership in the artwork produced by Nagel. PTM Stip. F. ¶ 23. But Playboy chose the mechanism by which such an acquisition was to be accomplished; they chose the language of the check endorsement; they chose the language of assignment and included no indication of a work made for hire relationship.[18] An assignment would not make sense if the parties presumed that Playboy would be the author of the work for statutory purposes. Rather, the language to be expected would verify the work relationship. As to the evidence of custom in the industry, as indicated above, the court finds that during 1974 through January 1, 1978, the custom in the magazine industry was that absent explicit language to the contrary, a contributor transferred only one time reproduction rights in the work sold for publication. Thus, even if the instance and expense test were met in this case, the custom of the industry and the intent of the parties manifested in Legend A, taken together, show that the parties here had an agreement that was not intended to bring the Nagel works under the scope of the made for hire doctrine. Accordingly, plaintiffs' claims of present copyright ownership in the Nagel works created prior to 1978 are found to be without merit.

B. Work for Hire under the 1976 Act

The 1976 Copyright Act states that copyright ownership "vests initially in the author or authors of the work." 17 U.S.C. 201(a). The author is often the creator of the protectable work, "that is, the person who translates an idea into a fixed tangible expression entitled to Copyright protection." *CCNV*, 490 U.S. at 737 (citing 17 U.S.C. § 102). As discussed above copyright in each contribution to a collective work vests initially in the author of the individual contribution, and

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[18] This language does not implicate the two strings of the bow approach described by both experts at trial, because one string is completely absent.

is considered separate and distinct from the copyright of the collective work. 17 U.S.C. § 201(c). However, the 1976 Act provides an exception to this rule:

> In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

17 U.S.C. § 201(b).

Under the 1976 Act, a "work made for hire" is either "(1) a work prepared by an employee within the scope of his or her employment" or "(2) a work specially ordered or commissioned for use as a contribution to a collective work . . . if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 17 U.S.C. § 101. The parties have agreed that Nagel was at no time an "employee" of Playboy within the meaning of "work made for hire" as defined in § 101. PTM Stip. F. ¶ 48. The question, then, is whether the Nagel productions that appeared in *Playboy* fall within the second definition (hereinafter § 101(2)). Because the works were used in *Playboy*, a collective work within the meaning of the 1976 Act, two inquiries remain: whether the works were "specially ordered or commissioned" and whether the legend endorsements on the Playboy checks constituted a sufficient writing to create a work made for hire relationship.

1. Specially Ordered or Commissioned Work

The legal parameters of what constitutes "specially ordered or commissioned" works under the current law are vague. Neither term is defined by the 1976 Act. The Supreme Court has noted in passing that "a party who hires a 'specially ordered or commissioned' work by definition has a right to specify the characteristics of the product desired . . ." *CCNV*,

490 U.S. at 741.[19] The Court also has indicated that "[t]he unifying feature of [commissioned works eligible for work made for hire status under the Act] is that they are usually prepared at the instance, direction, and risk of a publisher or producer." *Id.* at 741 (citing Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong. 1st Sess., Copyright Law Revision, pt. 6, p. 66-67 (H. R. Judiciary Comm. Print 1965)). Surprisingly, few other courts have considered the question of whether a work has been commissioned, particularly under the 1976 Act. Most cases appear to examine the surrounding circumstances. *See Nimmer on Copyright*, § 5.03 [B][2][d], 5-43 (hereinafter "*Nimmer*"). The seminal statement of the central consideration in the examination is that the " 'motivating factor in producing the work was the employer who induced the creation . . . .' " *Siegel*, 508 F.2d at 914 (2d Cir. 1974) (quoting *Picture Music. Inc. v. Bourne Inc.*, 457 F.2d 1213, 1216 (2d Cir.).[20]

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[19] This court interprets the language of the Supreme Court to mean that the exercise of the right of artistic control by the party for whom the work is being prepared can be highly indicative of a commissioned relationship. However, this court believes that the waiver or absence of exercise of that right need not negate the possibility of a commission relationship. *See Nimmer*, §5.03[B][2][d], 5-44, n. 171. *Cf. CCNV*, 490 U.S. at 742 (in construing § 101, "there is no statutory support for an additional dichotomy between commissioned works that are actually controlled and supervised by the hiring party and those that are not."). *But see Roy Export Co. Establishment v. Columbia Broadcast Sys., Inc.*, 503 F. Supp. 1137, 1149-50 (S.D.N.Y. 1980), *aff'd* 672 F.2d 1095, 1101, n.12 (2d Cir.), *cert. denied*, 459 U.S. 826 (1982) (artistic control of the creators was one factor to be considered in deciding whether a work had been commissioned). In either case, artistic control or the lack thereof is but one factor to be considered in evaluating the relationship between the parties.

[20] "Employer" in the *Siegel* case must be understood in the context of the 1909 Act where independent contractors could be "employees" within the meaning of the work made for hire doctrine. A more accurate term under the present regime might be "hiring party." *See CCNV*, 490 U.S. at 738 n.6.

The issue identified by the Supreme Court of which party was specifying the characteristics of the work weighs in favor of Nagel, if it has any weight at all. Playboy apparently was no longer controlling characteristics of the works by mid-1978. Furthermore, there is no evidence that the works were created at the instance, expense, or risk of Playboy. The instance here cannot be determined. The relationship was a continuing one, and plaintiffs have offered no evidence of any specific orders after 1976. Although they argue that the course of conduct of the parties should be sufficient, determinations of works made for hire must be established on a work-by-work basis. *Weissman v. Freeman*, 868 F.2d 1313, 1317 (2d Cir.), *cert. denied*, 493 U.S. 883 (1989); *see* 17 U.S.C. § 101 (each version of a "created" work constitutes a separate work). Nagel was the one who bore the risk because there was no commitment on the part of Playboy to purchase the works, although by 1978 a market for his works was already developing. And there is no dispute that Nagel was the one who bore the expense of the creation. In the totality of the surrounding circumstances, the court cannot say that any work created by Nagel after January 1, 1978, was "specially ordered or commissioned" within the meaning of work made for hire as defined in 17 U.S.C. § 101(2). Thus, plaintiffs can claim no ownership in the Nagel works under § 201(b). Rather, for any Nagel work purchased for use in *Playboy*, plaintiffs are presumed "to have acquired only the privilege of reproducing and distributing the contribution as part of that collective work, any revision of that collective work, and any collective work in the same series." 17 U.S.C. § 201(c).[21]

2. Retroactive Writings

The court believes that the plaintiffs' claim of ownership on a work made for hire basis under the 1976 Act is flawed for a

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[21] Because the court has concluded that the Nagel works were not specially commissioned after January 1, 1978, it does not reach the question of whether the legends on the checks would be sufficient to constitute a written instrument under § 101(2) of the 1976 Act.

second, independent reason. Assuming, without deciding, that the language of the legends was sufficient to create a work made for hire relationship, and assuming *arguendo* that plaintiffs had established that the works were "specially ordered or commissioned," there remains a problem of timing. Both parties have raised the question of the validity of a retroactive writing for works made for hire. The language of section 101(2) on its face is of little help. Although the condition that must be expressed in the writing is that the work "shall be considered" a work made for hire, there is no indication as to whether the work is preexisting. In other words, the statute can be read to mean either that (1) a work in existence (or in progress) shall be considered a work for hire from the time of the writing, or that (2) at the time of executing the writing, the work had yet to be created or fixed in a medium, and thus would be a work made for hire upon creation and fixation.

This court believes that the structure of the 1976 Act favors the latter interpretation. To begin with, the 1976 Act protects works in progress. *Dumas v. Gommerman*, 865 F.2d 1093, 1097 (9th Cir. 1989) (citing 17 U.S.C. § 101, definitions of "created" and "fixed"). As discussed above, section 204(a) requires a written instrument for copyright transfer. Execution of such a writing is necessary because "[o]wnership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied." 17 U.S.C. § 202. "Section 201(b) is therefore necessary to establish the employer as initial owner of the copyright in works made for hire. Without this provision, copyright would vest in employees at the moment of fixation, and a written instrument would be required to transfer copyright to the employer." *Dumas*, 865 F.2d at 1097-98.[22] These provisions suggest that work made for hire agreements must precede the creation of the work; otherwise, such agreements are little more than transfers which are already covered under

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[22] All works made for hire are governed by § 201(b), thereby encompassing both definitions in § 101.

section 204. Furthermore, section 201(b) would not have applicability to copyrights, but only to the additional legal consequences that arise from a work for hire arrangement such as the availability of artists' rights or the duration of copyright. *Nimmer*, § 5.03[A], 5-10. This court does not believe that Congress intended such redundancy in the statutory scheme. *Cf. Connecticut National Bank v. German* -- U.S. --, 60 U.S.L.W 4222, 4223 (1992) (generally courts should disfavor interpretations of statutes that render language superfluous); *see also id.* at 4224 (O'Connor, J., concurring) (Court interprets statutes to avoid redundancy). Nor does the legislative history suggest that such a redundancy existed or was intended. Barbara Ringer of the U.S. Copyright Office testified before Congress that her understanding of the legislation meant that a work prepared on special order or commission "would not be considered a 'work made for hire' if the contract were signed later on -- after the work was written, for example," H.R. Rep. no. 51-374, 89th Cong., 1st Sess., Part 5, *1964 Revision Bill with Discussion and Comments*, at 145 (1965).

The only case addressing the question of the timing of for-hire agreements under the 1976 Act of which the parties or the court is aware is *Schiller & Schmidt., Inc. v. Nordisco Corp.*, 969 F.2d 410 (7th Cir. 1992). In that case the court held that the writing required by section 101(2) "must precede the creation of the property in order to serve its purpose of identifying the (noncreator) owner unequivocally." *Id.* at 413. Although no authority was cited directly for this proposition,[23] Judge Posner grounded the statement on the principle

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[23] Plaintiffs make much of the fact that the issue of timing was not briefed for the court in *Schiller* and sought a representation to that effect from defendants. Plaintiffs assert that this court is not bound by "unbriefed and unsupported dicta." (Pl. Post-Tr. Mem. at 36). Rather, plaintiffs argue, the policy of "predictability and certainty of copyright ownership" is best served by giving effect to the demonstrated intent of the parties. Nimmer provides some support for this position. Nimmer first praises the goal, protected by *Schiller*, of certainty and the protection of third parties who are later surprised by after the fact declarations of work made for hire

(Footnote continued)

that in addition to having a primary purpose of a statute of frauds, section 101(2) has a secondary purpose "to make ownership of property rights in intellectual property clear and definite, so that such property will be readily marketable." *Id.* at 412 (citing *CCNV*, 490 U.S. at 750).

This logic strikes the court as sound. This court therefore holds on the basis of the statutory scheme, the legislative history, and the reasoning of Judge Posner, that a writing is required prior to the creation of a work in order for the work to be considered a work made for hire within the meaning of 17 U.S.C. § 101(2).[24] Accordingly, this court finds that none of the check legends in this case were a sufficient writing within the meaning of the 1976 Act to make the Nagel pieces work

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status. However, this praise is tempered by criticism that the bright line rule of *Schiller* "could frustrate the intent of the parties, and cloud rather than serve the goal of certainty . . . ." *Nimmer*, § 5.03[B][2](b), 5-35. Without addressing the ambiguity in the parties' "intent" in this case, the court notes the intent of the parties cannot supersede a requirement mandated by a statutory scheme.

[24] There was convincing testimony offered at trial that under certain circumstances, the exigencies of a situation would prevent the execution of a writing prior to the creation of the work. Perle offered the example of a photographer contacting a magazine immediately prior to the eruption of Mt. Helena (referring, presumably, to Mt. St. Helens), offering to record the catastrophe on film. Tr. 541-43, 580-83. Under such circumstances, even in the age of the facsimile and overnight mail, a writing prior to creation would clearly be impossible. In such a situation Perle advocated the use of a detailed agreement reciting both the terms of the agreement and the reasons that prohibited the writing prior to the work's creation. Tr. 543; Pl. Exh. 46, pp. 15-23. Without deciding, this court notes that such an emergency exception to the writing requirement may be tenable. Allowing the intent of the parties to govern in such a situation would not undermine either purpose of §101(2), nor would it contradict the rule that intent cannot supersede statutory requirements. *See supra*, n.23. Rather, it would create a limited and narrow exception that would allow a complex statutory scheme to operate logically, despite the vagaries of the "real world." Even if a court or Congress were to decide that no such exception should exist, a bargained for agreement could transfer the rights under section 204(a), although other benefits of section 201(b) would not apply.

made for hire for Playboy, because all of the writings came after the creation of the works.

III. LANHAM ACT CLAIMS

Defendants have brought a counterclaim under Section 43(a) of the Lanham Act claiming that plaintiffs violated that Act by titling the posters as "Images from The Playboy Collection by Patrick Nagel" and promoting them as the "Nagel Collection." Defendants argue that the attribution of the Collection to Nagel is false on its face. They argue that because they did not authorize or approve of the selection or quality of the reproductions, defendants have shown a Lanham Act violation. Relying on the Second Circuit's decision in *Gilliam v. American Broadcast Cos.*, 538 F.2d 14 (2d Cir. 1976), defendants further argue that unauthorized alterations to a work of art are actionable under Section 43(a).

Section 43(a) of the Lanham Act provides that:

> (1) Any person who, on or in connection with any goods or services . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--
>
> > (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
> >
> > (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such an act.

15 U.S.C. § 1125(a).

"The use of a person's name in a manner which misidentifies that person as the author or creator of a particular work is encompassed by the prohibition in Section 43(a) of the Lanham Act." *King v. Allied Vision Ltd.*, 807 F. Supp. 300, 305 (S.D.N.Y), *aff'd. in relevant part sub. nom. King v. Innovation Books*, 976 F.2d 824, 829 (2d Cir. 1992). Furthermore, "[i]t is sufficient to violate the Act that a representation of a product, though technically true, creates a false impression of product's origin. *See Rich v. RCA Corp.*, 390 F. Supp. 530 (S.D.N.Y. 1975) (recent picture of plaintiff on cover of album containing songs recorded in distant past held to be false representation that songs were new). . . ." *Gilliam*, 538 F.2d at 24. In order to establish their Lanham Act claim, the defendants rely on these principles in conjunction with the admission by Playboy that neither Nagel nor the defendants authorized or approved the selection or quality of the reproductions in the Collection. Tr. 671.

In the *King* decision, the Second Circuit concluded that where a well known writer had neither had been involved in nor had given approval to a screenplay and movie loosely derived from his short story, a possessory credit on the movie was misleading and likely to confuse consumers within the meaning of the Lanham Act. *King*, 976 F.2d at 829. Here, however, the court cannot say that the name of the Collection is false on its face. The terms "by Patrick Nagel" and "from the Playboy Collection" are literally true. Nagel created these works. *Compare PPX Enterprises Inc. v. Audiofidelity Enterprises, Inc.*, 818 F.2d 266, 271-72 (2d Cir. 1987) (claims that albums "featured" Jimi Hendrix constituted false advertising where Hendrix appeared as background performer). All of the works were associated with and appeared originally in *Playboy*. The often cited purpose of the Lanham Act is to protect consumers and competition from misrepresentation;

accordingly, when advertising is false on its face, no evidence of public confusion is necessary to succeed on a Lanham Act claim. *Id.* at 272. Here, there is nothing from which to protect consumers in the advertisements on their face, other than perhaps the implication of a continuing association between Nagel's estate and Playboy. And these competitors are protected by the copyright laws; the question in this case is not that the posters are Nagel's works, but who owns the rights to produce them.

The court also concludes that there were no Lanham Act violations based upon alterations of the works in the Nagel Collection, although for reasons of the insufficiency of the evidence. In *Gilliam*, the defendant had broadcast programs that had been performed and written by members of the "Monty Python" comedy group, but which the defendant had edited without consent into a form that departed substantially from the original works. Because such "deformation" presented the creator as making a work that was not truly his or her own, it is the artist "who suffers the consequences of mutilation, for the public will have only the final product by which to evaluate the work. Thus, an allegation that a defendant has presented to the public a 'garbled,' distorted version of plaintiff's work seems to redress the very rights sought to be protected by the Lanham Act. . . . " *Gilliam*, 538 F.2d 14, 24-25 (citations and footnotes omitted). At trial, Staebler testified that alterations were made to four of the ten posters: on three, a woman's breast was covered; on the fourth, only the top half of the work was used in the poster. Tr. 671.

A Lanham Act claim may be found if an alteration constitutes "a false reference to the origin of a work, or a reference which, while not literally false, is misleading or likely to confuse." *King*, 976 F.2d at 828; *see Benson v. Paul Winley Record Sales Corp.*, 452 F. Supp. 516 (S.D.N.Y. 1978) (defendants "deceitfully packaged and advertised" early recordings of acclaimed musician released five to twelve years later as "new" misled public); *Rich, supra.* In the recent case of *Lish v. Harper's Magazine Foundation*, 807 F. Supp. 1090 (S.D.N.Y. 1992), in relevant part, a writer brought a Lanham

Act claim on the grounds that a letter written by the plaintiff and edited and published by the defendant had made the letter no longer a work of the author. The court first concluded that the defendant's representation that the letter was by the plaintiff was true because the published letter did originate with the author; the final form was taken in its entirety from the original with no additions or changes, but only deletions. The court then established that "the burden is on [the plaintiff] to prove by a preponderance of the evidence that a false message was communicated to a not insubstantial portion of the relevant audience. . ." *Id.* at 1107. As in *Lish* here the parties seeking relief under the Lanham Act did not sustain their burden. Defendants offered no objective evidence which established the reaction of the public to these alterations. Nor was there any evidence to the contrary of Staebler's characterization that the alterations were "very minor." Tr. 670-71. Accordingly, the defendants have not proven by a preponderance of the evidence that the alterations on four of the posters have converted or "garbled" Nagel's works into something new. The court therefore finds that Playboy's titling and promotion of the Collection is not false on its face and that Dumas and JDI have failed to show that the alterations in the posters are substantial enough to mislead the public as to the posters' origins. The Lanham Act counterclaims are therefore dismissed.

IV. ESTOPPEL

Playboy makes the argument that defendants are estopped from disputing PEI's ownership of the copyrights in Nagel's works. Plaintiff cites a variety of cases for the legal principle that a party who has engaged in particular conduct and has accepted benefits of that conduct cannot later adopt positions inconsistent with that conduct for subsequent advantage. Playboy then relies on a second set of cases for the proposition that where a party would have been estopped from making certain assertions, the party's decedents are similarly estopped. According to Playboy, defendants are estopped here because Nagel "was clearly aware of, and personally and repeatedly acknowledged and confirmed" PEI's all rights terms,

and knew of PEI's use of his work in outside magazines and the Putnam book *The Playboy Advisor*; yet he never registered an objection." P1. Post Trial Mem. at 39.

This argument is without merit. First, there is no indication of what Nagel "clearly knew." If Playboy had such evidence, they did not introduce it at trial. The core of this dispute is not that agreements were entered, but what the effect and scope of those agreements were. Second, there was insufficient testimony as to whether he was paid for the work appearing in the Putnam book or whether he received "honoraria' for republication of his work in foreign editions. Furthermore, the most blatant exploitation by Playboy of Nagel's works began after commencement of this suit by Playboy when SEL began publishing the Collection. The court notes also that this suit did not arise out of conduct by the defendants; rather, plaintiffs brought a declaratory action without any alleged infringing behavior on the part of the defendants. To allow the plaintiffs to use estoppel as a sword would suggest that the entire litigation was premature. For these reasons, the court does not consider the doctrine of estoppel applicable here.

IV. RELIEF

A. *Injunction*

Having succeeded on the merits, defendants are entitled to relief. Because the copyrights in the artworks that comprise the Collection do not belong to Playboy and constitute copyright infringement, and because there is no evidence that Nagel intended to allow Playboy to exploit his artworks in the form of the Collection, Playboy is hereby permanently enjoined from manufacturing, distributing or selling posters from the Collection. 17 U.S.C. § 502 (1993).

B. *Actual Damages and Profits*

Dumas also seeks "actual damages and any additional profits of [Playboy]." 17 U.S.C. § 504(a)(1). Before trial, Dumas indicated that instead of showing actual damages only "a reasonable license fee with respect to Playboy's infringements" would be sought on these grounds. Def. Pre-trial

Mem. at 65. As evidence of a reasonable license fee, Dumas introduced two license agreements which JDI and Dumas have entered with third parties for reproduction of Nagel's works. These agreements suggest that the defendants receive between 20 and 30 percent of either the gross profits less expenses or of the unit retail price. *See* Def. Exh. BC, BD. Before addressing the issue of the license fee, the court examines Playboy's profits.

The 1976 Act provides, "In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." 17 U.S.C. § 504 (b) (1993). "If the infringer 'does not assume this burden, or if its attempt to do so is found unacceptable by the court . . . then the "gross figure is left to stand as the profit factor." ' " *Business Trends Analysts v. Freedonia Group, Inc.*, 700 F. Supp. 1213, 1240 (S.D.N.Y. 1988), *aff'd in part, rev'd in part* 887 F.2d 399 (2d Cir. 1989) (citation omitted). Where the infringer's records of costs are inadequate, any doubt must be resolved in favor of the copyright owner. *Id.* At trial, Playboy introduced evidence that the gross receipts of the Collection as of March 31, 1993 were $76,838.00. Dumas does not dispute this amount. Playboy also introduced evidence which purported to show that the total costs attributable to the posters were $234,314.05. See Pl. Exh. 50. Playboy therefore asserts that there is no profit whatsoever.

The breakdown of the costs is as follows: $20,093.05 for third party advertising; $29,600.00 for "house ads" in *Playboy*; $10,477.00 for art shows displaying the posters; $9,822.00 for travel and entertainment; $46,195.00 for attributed costs of SEL salaries and overhead; $13,500.00 for attributed costs of PEI salaries and overhead (for Staebler and Kerig Pope); and $104,627.00 for production of all posters, The plaintiffs also indicated that $14,387.00 was attributable

to the production costs for the posters sold to date. Pl. Exh. 50.[25]

Some of these figures are based on estimates and speculations. For example, Staebler testified that the $46,195.00 attributable to SEL employees was arrived at by taking 20 percent of the SEL payroll. Tr. 193. Similarly, the $13,500.00 attributable to him and Pope are five percent of their salaries paid by PEI since the Collection began. *Id.* These estimates were made by Staebler after "the accounting department gave me the expenses and on those areas where you have to allocate it." Tr. 673. He then sat down with the vice-president of SEL and made the allocation. *Id.* The court does not know what information the accounting department gave Staebler or what exactly his estimates were based upon. Other than the estimation of production costs for posters sold, no efforts were made to distinguish between estimated costs related to current sales and costs that might relate to future sales. Tr. 197-198. Furthermore, Staebler testified that since 1992 there were no increases in overhead and salaries that were due to the SEL publication of Nagel posters. Tr. 674. Precedent in this circuit is that where an infringer's evidence as to "which and how much each item of overhead contributed to the sales of the infringing items, [the infringer] is not allowed to deduct any of its indirect and overhead expenses from its gross revenues." *With Love Designs Inc. v. Dressy Tessy, Inc.* 25 U.S.P.Q.2d 1880, 1884 (S.D.N.Y. 1992). The court therefore excludes the general amount for both SEL and PEI salaries and overhead from the calculation of costs.

Similarly, for lack of competent evidence, the court excludes from the calculation costs attributed to the art shows and travel and entertainment expenses. Regarding the art shows, Staebler said that there was a small show in New York at which only Nagel prints and art watches were displayed.

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[25] The record is unclear as to whether Plaintiffs' Exhibit 50 was ever properly moved into evidence. The court hereby deems it admitted, with full awareness of the hearsay problems inherent within it. Tr. 190-192.

He testified that 50 percent of that show's costs were attributed to the $10,477.00. The second show was the Art Expo in New York in which Playboy had four booths, one of which was devoted to Nagel. Staebler could not be specific as to what portion of the Expo's costs were used to reach the $10,477.00 figure. "I think in the Art Expo we didn't use 25 percent. I think we actually used 20 percent." Tr. 192. The court cannot give weight to this testimony, particularly where there is no evidence of even the underlying cost of either art show. There is also no breakdown of the travel and entertainment expenses. The court does not doubt that Playboy incurred costs in terms of salaries, overhead, the art shows, and travel. But without evidence, the court would be remiss in giving weight to these estimates.

For third party advertisement and promotion, plaintiffs submitted invoices from five different publishing companies for preparation for advertisements. Each refers to Nagel or to one of the Playboy names for a Nagel work. *See* PTM Stip. F. ¶ 71. The earliest of the invoices is dated June 4, 1992.[26] All but two are for full page 4 color ads with bleed. Of the remaining two, the invoice indicates that it is for "PATRICK NAGEL AD/PLATE READY FILM, FUJI AND DXLUX [sic] PROOFS." The other invoice from Lithcor Incorporated merely indicates that it is for "REPRINT-PAT NAGEL" and "8% OVERS." The quantity for the reprints is 3,000 and the quantity for the overs is 250; given that the total for this order is only $1561.83, the court concludes that they too are for some form of advertising, and not attributable to the poster production. The court therefore accepts the $20,093.05 as a legitimate deduction for costs attributable to the posters.

However, for the "house ads" in *Playboy*, plaintiffs submitted no invoices, bills, accounting records, or the ads themselves.

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[26] One invoice from Commerce Publishing Co. is dated October 9, 1991, but this appears to be a typographical error. The invoice indicates "DECOR December 1992)" and the stamp of receipt is October 20, 1992. Pl. Exh. 50, p. 9.

Staebler testified only that SEL was "billed the actual production costs of putting the page in the magazine." Tr. 191. Again, because of the insufficiency of the evidence the alleged costs of the in-house advertisements will be excluded. *See In Design v. Lauren Knitwear Corp.*, 782 F. Supp. 824, 832 (S.D.N.Y. 1991). Aside from the lack of evidence, the court excludes the amount attributed for a second reason. PEI is the parent of SEL and there is no indication that the amount charged SEL is not merely cost-shifting. *See With Love Designs* 25 U.S.P.Q.2d at 1884 (10% agent's fee to parent company disallowed where there was no demonstration that fee was determined in arms-length negotiations).

Finally, with regard to production costs, the court includes only that amount attributable to the posters sold. *Dolori Fabrics, Inc. v. Limited Inc.*, 662 F. Supp. 1347, 1356 (S.D.N.Y. 1987).[27] Thus the court allows $14,387 to be deducted from the gross receipts. The court therefore finds that Playboy's profits through March 31 to which defendants are entitled total $42,357.95 ($76,838.00-$20,093.05-$14,387.00= $42,357.95).[28] Plaintiffs are directed to submit evidence of

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[27] The court notes that the figure for production costs is based on scant evidence. However, defendants make no direct objection to the amount attributed to the posters sold as of March 31. Furthermore, simple math shows that the production costs would thus account for roughly 18.72 percent of the gross receipts ($14,387/$76,838 = .18723), which the court finds to be reasonable.

[28] Plaintiffs have made a brief argument against any deduction. In a two sentence argument, they assert that even if Staebler's proof was insufficient to prove the exact expense in producing the Collection, "SEL nevertheless 'should be allowed to deduct an amount equivalent to the minimum amount [it] in all likelihood spent on the [posters].'" Pl. Post-Tr. Reply Mem. at 47 n. 9 (quoting *Sygma Photo News. Inc. v. High Society Magazine*, 778 F.2d 89, 93 (2d Cir. 1985)). At a minimum, it is apparent that the cost of producing the ten high quality posters, advertising and promoting them, and showing them at two art shows, etc., fully consumed the total gross receipts derived from their sale, thus leaving no profit." Pl. Post-Tr. Reply Mem. at 47 n. 9. The Court disagrees. In *Sygma* the court allowed deductions from profits for those expenses adequately linked to production of the infringing material. In the instance to

(Footnote continued)

additional sales and expenses incurred since March 31, 1993 in order to establish the final award.

Returning to the question of a reasonable license fee, in the post-trial submissions, defendants urged that the court award 30 percent of the gross receipts, or $23,051.40. However, defendants also recognize that any license or royalty fee would be deducted from the profits to prevent double recovery. Def. Post-Tr. Mem. at 58 n.23. Because the award of profits exceeds defendants' largest request for a license fee, the court does not need to further address what would constitute an adequate license fee for Dumas.

C. *Recovery Under the Parties' January 1993 Agreement*

Dumas further requests $10,402.50 from plaintiff SEL. The basis of this claim is a settlement agreement from an action by all the parties in this suit against Mirage Editions, Inc. in the Central District of Illinois. The agreement was executed on January 29, 1993 by Dumas and on February 1, 1993 by Playboy. In ¶ 4.B of that agreement, the parties agree in relevant part that Dumas and JDI reserve the right to seek relief with respect to $10,402.50 that was collected by SEL from Mirage under the Litigation Settlement, "the ultimate rights to which the parties agree will be determined by the . . . action in the Southern District of New York." Def. Exh. DC, p. 5. The court here merely determined the issues that the parties in the Illinois case agreed would be controlling. Enforcing the terms of that settlement agreement, however, is not this court's task. While the fate of the $10,402.50 may be determined by the court's ruling here, the parties that seek execution of that

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which plaintiff refers, the court allowed a deduction of 50% of the price the infringer claimed was spent on the photographs used in its magazine. In this case, the court has allowed a deduction of roughly 40% of the advertising budget that plaintiff claims it spent. As to the art shows and the travel and entertainment expenses, there was no evidence of their existence or amounts; nor were they "linked with production costs in any satisfactory form." *Sygma Photo News. Inc.*, 778 F.2d at 93.

agreement must bring the appropriate action in the proper forum to enforce their rights if the other parties do not comply.

D. *Attorney's Fees*

Dumas also seeks attorney's fees. Under section 505 of the 1976 Act, the court, in its discretion, may award the recovery of full costs and a reasonable attorney's fee to the prevailing party. Dumas seeks fees with regard to the issue of copyright ownership. She also seeks 80 percent of the attorney's fee for work with regard to her copyright infringement claim. The basis for this latter figure is that eight of the ten Nagel works used in the Collection were registered by Dumas before the commencement of this litigation.

In this circuit, section 505 has been applied differently with regard to plaintiffs and defendants. "Plaintiffs who prevail are awarded fees as a matter of course. Defendants on the other hand, will recover if 'plaintiff's claims are objectively without arguable merit' or 'baseless, frivolous, unreasonable or brought in bad faith.'" *Whimsicality Inc. v. Rubie's Costume Co.. Inc.*, 891 F.2d 452, 457 (2d Cir. 1989) (quoting *Roth v. Pritikin*, 787 F.2d 54, 57 (2d Cir. 1986)). With regard to the determination of copyright ownership, Dumas and JDI were defendants. This case involved the construction of legend agreements in light of custom and usage of the magazine industry. There were questions of first impression with regard to whether a retroactive writing satisfies the definition of work made for hire in section 101(2) and whether California Civil Code section 982 applied under the circumstances of this case. The issues were difficult and time-consuming. Under these circumstances, the court declines to award Dumas any attorney fees on the basis of the issue of copyright ownership.

The court reaches a different conclusion with regard to the prosecution of the infringement claim. For that case, Dumas and JDI were in effect plaintiffs, as the issue of infringement arose as a counterclaim. Particularly important in this court's judgment is the fact that the infringing behavior commenced after Playboy, the original plaintiff in this action, had brought suit. As Dumas correctly points out the 1976 Act prohibits the

award of attorney's fees under section 505 in an action for "any infringement of copyright commenced after first publication and before the effective date of registration. . . ." 17 U.S.C. § 412(2). The court thus applies the 80 percent formula suggested by Dumas. The court notes that this award of fees should be relatively minor, as it relates only to the preparation of Dumas's attorneys with regard to the infringement counterclaim. As Dumas noted, "[T]he determination of which party owned the copyrights in the Nagel artworks that first appeared in *Playboy* was the most significant portion of the litigation. . . ." Def. Post-Tr. Mem. at 62.

The question of attorney's fees under the Lanham Act was addressed only in the pre-trial submissions. The Lanham Act allows the court to award a reasonable attorney's fee to the prevailing party "in exceptional cases." 15 U.S.C. § 1117. There is nothing in the record that would warrant considering this case to be "exceptional" within the meaning of that statute. Attorney fees for either party under the Lanham Act are therefor denied. *See Imaf, S.p.A. v. J.C. Penney Co., Inc.*, 810 F. Supp. 96 (S.D.N.Y. 1992).

CONCLUSION

For the forgoing reasons, plaintiffs' claim for a declaratory judgment that they are the sole owner of all right, title, and interest including copyright in the Nagel artworks that are at issue in this suit is dismissed. Defendants' counterclaim for copyright infringement is granted. Defendants' Lanham Act claim is dismissed. Plaintiffs are enjoined from manufacturing, distributing or selling posters from "The Playboy Collection by Patrick Nagel." Plaintiffs are further directed to pay defendants $42,357.95 as profits gained from their infringing activities. Plaintiffs are directed to submit proof of any additional gross receipts earned from sales of posters in the Collection after March 31, 1993. The court directs Dumas to submit proof of the reasonable attorney fees in preparation of its infringement claim. Defendants are further directed to submit a final judgment in conformity herewith. This Opinion

shall constitute the findings of fact and conclusions of law as required by Federal Rule of Civil Procedure 52.

SO ORDERED.

Dated: New York, New York
September 9, 1993

CHARLES H. TENNEY

Charles H. Tenney, U.S.D.J.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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PLAYBOY ENTERPRISES, INC., and
SPECIAL EDITIONS, LTD.,

Plaintiffs-
Counterclaim Defendants,

- against -

JENNIFER DUMAS and
JENNIFER DUMAS, INC.,

Defendants-
Counterclaimants.

91 Civ. 6268
(CHT)

OPINION and ORDER

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APPEARANCES

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TENNEY, D.J.,

Defendants-counterclaimants Jennifer Dumas and Jennifer Dumas, Inc. (collectively "Dumas") move for reargument and/or clarification of this court's Opinion and Order of September 9, 1993. That Opinion denied Dumas' request for attorneys' fees related to their defense of plaintiffs-counterclaim defendants Playboy Enterprises, Inc. and Special Editions,

Ltd. (collectively "Playboy") action for declaratory judgment, but granted Dumas request for attorneys' fees with respect to Dumas' counterclaim for copyright infringement. The motion is granted, and the court's earlier Opinion and Order is amended as discussed below.

Background

Playboy initiated this suit, seeking declaratory judgment that Playboy owned the copyrights in several hundred artworks created by the late Patrick Nagel. Dumas counterclaimed against Playboy, alleging infringement under the Copyright Acts of 1909 and 1976 and unfair competition under § 43(a) of the Lanham Act, seeking damages and attorneys' fees. After a bench trial, the court entered an Opinion and Order on September 9, 1993 (the "Opinion") denying Playboy's claim for declaratory judgment and dismissing Dumas' counterclaim for unfair competition, but granting Dumas' counterclaim for copyright infringement and awarding damages of $42,357.95. *See Playboy Enterprises, Inc. v. Dumas*, 831 F. Supp. 295 (S.D.N.Y. 1993). Most significantly for the purposes of the present motion, the Opinion awarded Dumas attorneys' fees for preparation of the copyright infringement counterclaim, but denied Dumas attorneys' fees for preparation of the declaratory judgment portion of the case. In its denial of attorneys' fees on the declaratory judgment action, the Opinion stated ". . . the court declines to award Dumas any attorney fees on the basis of the issue of copyright ownership." 831 F. Supp. at 320. The Opinion went on to grant 80% of the attorneys' fees for Dumas' infringement counterclaim, but stated that "this award of fees should be relatively minor, ..." *Id.* at 321.

Following entry of the Opinion on September 9, Dumas submitted a Notice of Motion for Rearmament and/or Clarification and a supporting Memorandum of Law on September 20 (hereinafter the "Motion"), styled as a Fed. R. Civ. P. 60(b)(1) and/or 60(b)(6) motion. Complicating consideration of the Motion, Playboy filed a notice of appeal of the Opinion on October 12, and Dumas filed a notice of cross-appeal on

October 20. Before the Court of Appeals addressed the merits of either the appeal or the cross-appeal, the parties entered a stipulation, with the consent of the Court of Appeals, withdrawing the notices of appeal and cross-appeal, and purporting to preserve the parties' ability to appeal from the district court's eventual final judgment.

Discussion

1. Jurisdiction

As a preliminary matter, the court must determine whether plaintiffs' filing of the notice of appeal or defendants' filing of the notice of cross-appeal divested this court of jurisdiction. Playboy filed a notice of appeal on October 12, followed by Dumas' notice of cross-appeal on October 20. This normally would present serious questions regarding the district court's continued jurisdiction over further proceedings. See *Toliver v. County of Sullivan*, 957 F.2d 47, 49 (2nd Cir. 1992). However, by stipulation dated December 3, 1993, the parties withdrew their respective notices of appeal, returning jurisdiction to this court. Given the parties' stipulation, the district court has jurisdiction to enter this Opinion and Order.

2. Attorneys' Fees for Defense of the Declaratory Judgment Action

Dumas argues that it should be awarded reasonable attorneys' fees incurred in its defense of the declaratory judgment action. Dumas concedes that the case law of this circuit establishes that defendants in copyright actions should receive attorneys' fees only if "plaintiff's claims are objectively without arguable merit or baseless, frivolous, unreasonable or brought in bad faith." *Whimsicality, Inc. v. Rubie's Costume Co.*, 891 F.2d 452, 457 (2nd Cir. 1989); *see Roth v. Pritikin*, 787 F.2d 54, 57 (2nd Cir. 1986); *but see Fogerty v. Fantasy, Inc.*, 113 S. Ct. 2992 (June 21, 1993) (certiorari granted to review similar Ninth Circuit standard limiting awards of attorneys' fees to prevailing defendants). This court's prior Opinion found that: "There were questions of first impression with regard to whether a retroactive writing satisfies the

definition of work made for hire . . . and whether California Civil Code section 982 applied under the circumstances of this case. The issues were difficult and time consuming." 831 F. Supp. at 320. Given these findings, the Opinion concluded that an award of attorneys' fees to the prevailing defendant in the declaratory judgment action would be contrary to existing circuit law.

Dumas' Motion does not dispute the court's finding that Playboy's declaratory judgment claim was neither baseless, frivolous, unreasonable, brought in bad faith, nor objectively without arguable merit. Instead, Dumas contends that the *Roth-Whimsicality* rule should not apply to declaratory judgment actions. In very conclusory fashion, Dumas states that in a declaratory judgment action, the defendant is functionally indistinguishable from the plaintiff, and should therefore receive attorneys' fees.

Dumas neglects to support this argument with case law from any court. The only authority cited for this bald proposition is a footnote from the Nimmer treatise stating: "For purposes of [the distinction between awards to prevailing plaintiffs and prevailing defendants], the defendant in . . . a declaratory relief action . . . may qualify as a 'plaintiff.' " Defendants' Memorandum in Support of Motion for Reargument at 4, *citing* Melville Nimmer & David Nimmer, 3 *Nimmer on Copyright* § 14.10[D][2] n.46. Although *Nimmer on Copyright* is a useful tool to the copyright community, footnotes from the Nimmers' fine treatise do not supersede relevant Second Circuit authority and are not (barring an amendment to Article III of the United States Constitution) binding on this court.

Roth and *Whimsicality* discuss the applicability of the rule limiting awards of attorneys' fees to "claims," "actions," and "prevailing defendants" under the Copyright Act. *See Whimsicality*, 891 F.2d at 457; *Roth*, 787 F.2d at 57-58. Neither *Roth* nor *Whimsicality* explicitly or implicitly limits the rule to infringement actions. Nor do these cases indicate that a suit for declaratory judgment should not be considered as much of

a "claim" or "action" as a suit for damages, or that distinctions between the plaintiff and defendant lose meaning in declaratory judgment actions. Whether brought as initial claims, counterclaims, or as third-party claims, declaratory judgment actions play an important role in copyright litigation. These claims should not be discouraged by the threat that plaintiffs who bring colorable declaratory judgment actions will be forced to bear the attorneys' fees of prevailing defendants. Given the unambiguous rule of *Roth* and *Whimsicality*, and the substantial policy consideration of encouraging the orderly judicial determination of copyrights, the court rejects Dumas' argument that it should have been awarded attorneys' fees as the prevailing defendant in the declaratory judgment action.

3. Attorneys' Fees for the Infringement Counterclaim

Although the court rejects Dumas' request for attorneys' fees for the declaratory judgment action, the court *sua sponte* recognizes a misstatement regarding the award of attorneys' fees in the prior Opinion. In denying attorneys' fees on the declaratory judgment claim, the Opinion stated: "Under these circumstances, the court declines to award Dumas any attorney fees on the basis of copyright ownership." 831 F. Supp. at 320. The Opinion went on to grant attorneys' fees on the infringement counterclaim, but stated that: "The court notes that this award of fees should be relatively minor, as it relates only to the preparation of Dumas's attorneys with regard to the infringement counterclaim." *Id.* at 321.

The Opinion erroneously considered the determination of ownership of the copyrights to be an issue only in the declaratory judgment action. However, ownership of a valid copyright was at issue in *both* Playboy's declaratory judgment claim and in Dumas' infringement counterclaim. An infringement claim has two essential elements: (1) ownership of a valid copyright by plaintiff and (2) copying by defendant of constituent elements of the work that are original. *Feist Publications, Inc. v. Rural Telephone Serv. Co.*, 111 S. Ct. 1282, 1296 (1991). The court incorrectly compartmentalized proof

of ownership as relevant only to the declaratory judgment action. As stated in the Opinion of September 9, 1993, Dumas is entitled to 80% of its reasonable attorneys' fees for the preparation of the infringement counterclaim. Since demonstrating ownership of a valid copyright was an essential element of the infringement counterclaim, Dumas should receive 80% of the reasonable attorneys' fees incurred in establishing this element. *See Twin Peaks Productions, Inc. v. Publications International, Ltd.*, 996 F.2d 1366, 1383 (2nd Cir. 1993) (defendant who prevails on infringement counterclaim entitled to reasonable attorneys' fees for counterclaim); *Rose v. Bourne, Inc.*, 279 F.2d 79, 81 (2nd Cir. 1960) (same), *cert. denied*, 364 U.S. 880 (1960). The fact that an element of proof may be shared between several different claims or counterclaims should not bar recovery of fees incurred in establishing that element of proof.

Conclusion

The Opinion and Order of September 9, 1993 is modified in accordance with this Opinion and Order. The court directs Dumas to submit proof of reasonable attorneys' fees in preparation of the infringement counterclaim, which may include fees incurred in establishing the ownership of a valid copyright in the infringed works.

So ordered.

CHARLES H. TENNEY

CHARLES H. TENNEY
United States District Judge

Dated: December 20, 1993
New York, New York

APPENDIX B

From September 1979 to April 1981, Playboy used Legend B, which provides:

> "ANY ALTERATION OF THIS LEGEND AGREEMENT VOIDS THIS CHECK. BY ENDORSEMENT, PAYEE: acknowledges payment in full for services rendered on a work-for-hire basis in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc., of all right, title and interest (except physical possession), including all rights of copyright, in and to the work."

Beginning in April 1981 until Nagel's death in February 1984, Playboy employed Legend C, which is similar to Legend B. Legend C states:

> "ANY ALTERATION OF THIS LEGEND AGREEMENT VOIDS THIS CHECK. IT CONTAINS THE ENTIRE UNDERSTANDING OF THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITING SIGNED BY BOTH PARTIES. BY ENDORSEMENT, PAYEE acknowledges payment in full for services rendered on a work-for-hire basis in connection with the Work named on the face of this check, and confirms ownership by Playboy Enterprises, Inc., of all right, title and interest (except physical possession), including all rights of copyright, in and to the Work."

APPENDIX C

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

UNITED STATES COURT HOUSE

40 FOLEY SQUARE

NEW YORK 10007

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, Foley Square, in the City of New York, on the 5th day of July one thousand nine hundred and ninety-five.

Present:

Hon. JAMES L. OAKES,

Hon. RICHARD J. CARDAMONE,

Hon. RALPH K. WINTER,

CIRCUIT JUDGES,

Playboy Enterprises v. Dumas

Docket No.(s): 94-7500,

94-7542

A petition for rehearing having been filed herein by Appellee Jennifer Dumas & Jennifer Dumas, Inc.

Upon consideration therof, it is

Ordered that said petition be and it hereby is DENIED.

FOR THE COURT,

GEORGE LANGE III, Clerk

7/5/95 /s/ Beth J. Meador

Beth J. Meador,

Administrative Attorney